

## **EXECUTIVE SUMMARY**

A market conduct examination of Safeco Insurance Company of America, also referred to as the “Company”, was conducted pursuant to, but not limited to, K.S.A. 40-222. The examination period was from January 1, 2012 through September 30, 2013. The focus of the exam was operations and management, complaint handling, underwriting and rating related to both private passenger automobile and homeowners insurance.

There were some issues noted in the handling of complaints. The most significant areas of concern were in the rating of both auto and homeowner policies. The Company was unable to provide a complete rate and rule manual that corresponded with the rates they were using throughout the exam period. In addition, there were delays in getting responses to questions about the policy rating. Lack of internal controls in the area of policy rating likely contributed to the large number of errors encountered by the examiners.

The exam team has made several recommendations based on the violations found during the examination, regardless of whether the standard was passed or failed. Additional details on each standard including percentages of compliance are found within the individual sections of this report.

### **Recommendations**

#### **OPERATIONS AND MANAGEMENT**

1. The Company should have written procedures in place to audit both complaint handling and policy rating. The Company should do periodic testing of their policy rating to ensure they are following the rates and rules as filed.
2. The Company should consider a longer document retention period for ease of viewing by examiners as well as Company personnel.
3. When responding to the Kansas Insurance Department, the Company should ensure personnel tasked with responding are knowledgeable in the subject matter and can supply appropriate replies within the requested timeframe.

#### **COMPLAINT HANDLING**

1. The Company should ensure the complaint register contains accurate information.
2. The Company should take steps to ensure all complaints are adequately responded to within the timeframes specified by Kansas regulations. Responses should not only be timely, but must address each item requested by KID regarding the complaint file.

## **UNDERWRITING AND RATING**

1. The Company must do a thorough review of their rating practices to ensure they coincide with the rules and rates filed and approved with the Kansas Insurance Department. The Company was given a list of items found by the examiners to be noncompliant, although the Company should not limit its review to these items. Any future filings with KID must clearly specify all of the factors being altered and a complete rate and rule manual must be presented to KID with each filing. Changes should be filed in the Rate/Rule tab in SERFF and not be made in the “Supporting Documentation” tab. [Note: Prior to the filing of this exam report, the Company did submit updated filings for approval by the Kansas Insurance Department.]
2. The Company should ensure policies are issued with the approved rating methodology and policyholders are offered approved rates in a similar manner.