STATE OF MISSOURI

DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

***In Re*:**	)	
	)	
PROGRESSIVE CASUALTY INSURANCE COMPANY (NAIC #24260)	)	**Market Conduct Investigation No. 360266**
	)	

ORDER OF THE DIRECTOR

NOW, on this 6th day of March, 2025, Acting Director Angela L. Neson, after consideration and review of the market conduct examination report of Progressive Casualty Insurance Company (NAIC #24260) (hereinafter "PCIC"), examination report number #360266, prepared and submitted by the Division of Insurance Market Regulation (hereinafter "Division") pursuant to §374.205.3(3)(a)[1], does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), relating to the market conduct examination #360266, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4) and §374.046.15 RSMo, is in the public interest.

IT IS THEREFORE ORDERED that the Director does hereby approve the Stipulation as agreed to by PCIC and the Division.

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[1] All references, unless otherwise noted, are to Revised Statutes of Missouri 2016.

IT IS FURTHER ORDERED that PCIC shall not engage in any of the violations of statutes and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, shall maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that PCIC shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of $5,000.00, payable to the Missouri State School Fund.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 6th day of March, 2025.

Angela L. Nelson
Acting Director

IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI

***In Re*:**	**)**
	)
PROGRESSIVE CASUALTY	**) Market Conduct Examination No. 360266**
INSURANCE COMPANY (NAIC # 24260)	**)**

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter the "Division"), and Progressive Casualty Insurance Company (NAIC #24260) (hereinafter "PCIC"), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter the "Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

WHEREAS, PCIC has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct examination of PCIC, Examination No. 360266; and

WHEREAS, based on the claims review section of the market conduct examination of PCIC the Division alleges that:

1. In seven instances, PCIC did not send a 45 day letter to the insured setting forth the reasons additional time was needed for investigation, in violation of §375.1007 (3)[1], §§375.1005 and 20 CSR 100-1.050 (1) (C).

2. In four instances, PCIC did not advise their insured of the acceptance or denial of a claim

[1] All statutory references, unless otherwise noted, are to the 2016 Revised Statutes of Missouri.

within 15 working days, in violation of §375.1007 (3), §375.1005 and 20 CSR 100-1.050 (1) (A).

3. In 11 instances involving six claims, PCIC did not provide an appropriate reply within 10 working days to communications received from a claimant or the claimant's representative, implicating in ten instances the provisions of §375.1007 (2) and violating 20 CSR 100-1.030 (1) (B).

4. In one instance, PCIC did not provide instructions and reasonable assistance to a first party claimant within 10 working days of notification of the claim, implicating the provisions of §375.1007 (2) and in violation of 20 CSR 100-1.030 (3).

5. In one instance, PCIC did not maintain adequate documentation in its claim files to show the basis for vehicle conditioning adjustments in total loss settlements, in violation of 374.205.2 (2) and 20 CSR 100-8.040 (3) (B) (1).

6. In four instances, PCIC did not maintain a copy of a Missouri Sales Tax Affidavit in its claim files in violation of §374.205.2 (2) and 20 CSR 100-8.040 (3) (B) 3.

7. In two instances involving one claim, PCIC did not date stamp letters with the date received in violation of §374.205.2 (2) and 20 CSR 100-8.040 (3) (B) 2.

8. In four instances, PCIC did not disclose all pertinent benefits and coverages to claimants implicating the provisions of §375.1007 (1) and in violation of 20 CSR 100-1.020 (1) (A).

9. In nine instances, PCIC did not include all optional equipment found on vehicles in total loss settlements in violation of §375.1007 (4) and §375.1005.

10. In seven instances, PCIC inaccurately characterized the condition of vehicles in total loss settlements in violation of §375.1007 (3), (4) and §375.1005.

11. In two instances, PCIC incorrectly calculated the salvage value of vehicles in violation of §375.1007 (3), §375.1007 (4) and §375.1005.

12. In seven instances, PCIC did not document the basis for salvage quotes used for owner retained settlements in violation of §375.1007 (3), §375.1005, 20 CSR 100-8.040 (2) and 20 CSR

100-8.040 (3) (B).

13. In 48 instances involving 47 claims, PCIC did not include identifying information for comparable vehicles used in calculating total loss settlements in violation of §375.1007 (3) & (4), §375.1005, 374.205.2 (2) and 20 CSR 100-8.040 (3) (B) 1.

14. In 84 instances involving 78 claims, PCIC did not itemize depreciation deductions in total loss settlements in violation of §375.1007 (3) and §375.1005.

15. In 14 instances involving 13 claims, PCIC did not provide the claimant with a reasonable and accurate written explanation citing specific policy provisions, conditions or exclusions implicating the provisions of §375.1007 (12) and violating 20 CSR 100-1.050 (1) (A).

16. PCIC did not include a required disclosure when preparing estimates based on the use of automobile parts not made by the original equipment manufacturer in violation of §375.1007 (3), §375.1007 (4), §375.1005 and 20 CSR 100-1.050 (2) (D) 2.

17. In eight instances, PCIC did not maintain adequate documentation in its claim files in violation of §374.205.2 (2) and 20 CSR 100-8.040 (3) (B) 1.

18. In five instances involving three claims, PCIC, provided inaccurate information to claimants implicating, in two instances, the provisions of §375.1007 (1) and in three instances violating §375.1007 (1) and §375.1005.

19. In four instances, PCIC did not adopt and implement reasonable standards for the prompt investigation and settlement of total loss claims in violation of §375.1007 (3) and §375.1005.

20. In five instances, PCIC did not effectuate a fair and equitable settlement of total loss claims in violation of §375.1007 (4) and §375.1005.

WHEREAS, the Division and PCIC have agreed to resolve the issues raised in the market conduct investigation as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture

(hereinafter "Stipulation") embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** PCIC agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those remedial actions at all times. Such remedial actions shall include the following:

1. PCIC agrees that where a sales tax affidavit has been issued to a total loss claimant, it will maintain a copy of the affidavit in the claim file.

2. PCIC agrees to document conditioning scores in its claim files with clarity and specificity as required by 20 CSR 100-8.040 (3) (B). PCIC agrees that when a motor vehicle total loss is valuated, the determination of the actual cash value of the total loss vehicle must be supported by documentation maintained in the claim file. PCIC also agrees that the documentation shall be in sufficient detail and clear enough for the adjuster to explain the adjustments and to show how each of the adjustments was calculated for the comparable vehicles to the insured and to the Department if necessary. PCIC further agrees that any adjustment in the value shall be itemized, measureable, verifiable, and appropriate in amount pursuant to 20 CSR 100-1.050(2)(E). The basis for any adjustment in settlement shall be maintained in writing in PCIC's claim file.

3. PCIC agrees to reimburse all claimants for underpayments identified in the exam report which have not already been reimbursed. Payment of interest, pursuant to §374.191 will be included with the reimbursement of the underpayment. A letter will be included indicating that as a result of a Missouri Market Conduct Examination it was discovered that additional payments were owed on the claim.

4. PCIC agrees that in assessing the value of total loss vehicles, it will categorize the

condition of the vehicle based on the evidence contained in the claim file and will only accept the adjuster's real-time determination if that determination is supported by documentary evidence contained in the claim file.

5. PCIC agrees that it will include all inputs and other documentation in the claim file needed to determine how salvage value was calculated.

6. PCIC agrees that upon written request of the Department made in connection with a market conduct examination or investigation, it will work with its vendors to provide the Department with the full Vehicle Identification Number (VIN) and place of sale of comparable vehicles utilized by PCIC or its contractors, in connection with total loss claims, for determining the value of a total loss vehicle.

7. PCIC agrees to date stamp all correspondence received from a claimant or the claimant's representative.

8. PCIC agrees to disclose to first party claimants all pertinent benefits, coverages, or other provisions of an insurance policy under which a claim is presented.

9. PCIC agrees to disclose to claimants that damages deducted from a total loss settlement can potentially be covered as a separate loss under applicable physical damages coverage.

10. PCIC agrees that it will include all optional equipment on vehicles in determining valuations on total loss settlements.

11. PCIC agrees to retain copies of all claim denial letters in its claim files.

12. PCIC agrees not to make any inaccurate statements to policyholders or claimants regarding Department requirements.

13. With respect to Claim Number XXXXX935, PCIC agrees to further investigate this claim to determine whether or not the claim was properly denied under the terms of the policy. If PCIC cannot establish, to the satisfaction of the Division, a reasonable basis for denying the claim, PCIC

agrees to make payment on the claim in the amount of $13,188.50 plus interest in an amount to be determined pursuant to §374.191.

14. PCIC agrees to send a written denial letter referencing a specific policy provision, condition, or exclusion when a first party claim is denied on the grounds of a specific policy provision, condition, or exclusion.

15. PCIC agrees to include the disclosure required by 20 CSR 100-1.050 (2) (D) 2 when preparing estimates based on the use of automobile parts not made by the original equipment manufacturer.

16. PCIC agrees to reimburse the 30 claimants identified in the PCIC examination workpapers whose headliners were mis-rated by refunding the difference between the value of a headliner as originally scored and the value of a headliner scored as outlined by the Company's training guidelines. Payment of interest, pursuant to §374.191 will be included with the reimbursement of the underpayment. A letter will be included indicating that as a result of a Missouri Market Conduct Examination it was discovered that additional payments were owed on the claim.

17. PCIC agrees that going forward, as long as it utilizes Mitchell as a third party vendor, it will follow both the Company's and Mitchell's guidelines and condition deductions for headliners as outlined by the Company's and Mitchell's guidelines and training.

18. For a period of a year after the date of the Order approving this Stipulation, the PCIC agrees to conduct quarterly audits of total loss claims to review and determine whether the total loss valuations contain the details as outlined in remedial action paragraph 2 and 20 CSR 100-1.050(2)(E). The Company agrees to pull a random sample of 50 policies out of all total loss claims received during the quarter and review for compliance with remedial action paragraphs 2 and 4 and 20 CSR 100-1.050(2)(E). If the compliance with these remedial actions and 20 CSR 100-1.050(2)(E)

was not met, the Company agrees to address the errors with the total loss vendor and claims team as appropriate and the Company agrees to remediate the loss with the claimant if such remediation is warranted. The Company further agrees to provide quarterly reports to the Division of all total loss claims reviewed within 45 days of the end of the quarter. The reports shall be provided in a manner acceptable to the Division. After the fourth audit, the Company agrees that as part of its practice it will continue to perform periodic and consistent quality assurance reviews of its total loss claims to ensure its total loss valuations files continue to contain the specific details as outlined in remedial actions 2 and 4 and 20 CSR 100-1.050(2)(E). The Company agrees to continue to address any errors with the total valuation vendor.

C. **Compliance.** PCIC agrees to file documentation pursuant to section 374.205 with the Division, in a format acceptable to the Division, within 45 days of the entry of an Order approving this Stipulation, of any remedial action taken to implement compliance with the terms of this Stipulation.

D. **Voluntary Forfeiture.** PCIC agrees, voluntarily and knowingly, to surrender and forfeit the sum of $5,000, such sum payable to the Missouri State School Fund, in accordance with §§374.049.11 and 374.280.2 within fifteen (15) days of the date the Director of the Department (hereinafter "Director") signs the Order approving this Stipulation.

E. **Effect of this Stipulation.** This stipulation fully resolves all issues contained in the claims portion of examination no. 360266. Examination of all other issues authorized by the Examination Warrant signed by the Director remain ongoing, and neither the Department nor PCIC waive any legal rights, claims or defenses relating to the ongoing portions of the examination.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by PCIC, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above referenced market conduct examination.

G. **Waivers.** PCIC, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights to procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the market conduct examination no.360266 .

H. **Amendments.** No amendments to this Stipulation shall be effective unless made in writing and agreed to by authorized representatives of the Division and PCIC.

I. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

J. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation, on behalf of the Division and PCIC, respectively.

K. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution by facsimile or by electronically transmitted signature shall be fully and legally effective and binding.

L. **Effect of Stipulation.** This Stipulation shall not become effective until entry of an Order by the Director of the Department (hereinafter "Director") approving this Stipulation.

M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: February 3, 2025

Teresa Kroll
Chief Market Conduct Examiner
Division of Insurance Market Regulation

DATED: January 15, 2025

Gregory E. Schwartz
Associate General Counsel
Progressive Casualty Insurance Company

MARKET CONDUCT EXAMINATION REPORT
of the Property and Casualty Business of

Progressive Casualty Insurance Company
NAIC #24260

Home Office:
6300 Wilson Mills Road, N71
Mayfield Village, OH 44123

Missouri Examination #360266

Covering the Time Period of
January 1, 2017 through December 31, 2019

Claims Portion of the Examination Only

DIVISION OF INSURANCE MARKET REGULATION
DEPARTMENT OF COMMERCE & INSURANCE
STATE OF MISSOURI

JEFFERSON CITY, MISSOURI

Division of Insurance Market Regulation

March 3, 2025

Angela L. Nelson, Acting Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Ms. Nelson:

In accordance with your market conduct examination warrant and in compliance with the statutory requirements of the State of Missouri, a targeted market conduct examination has been conducted of the specified lines of insurance and business practices of:

Progressive Casualty Insurance Company (NAIC #24260)

This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI) in Jefferson City, by the following DCI staff market conduct team members:

Shelly Herzing, Market Conduct Examiner-in-Charge
Darren Jordan, Market Conduct Examiner
Tad Herin, Market Conduct Examiner
Andrew Cope, Market Conduct Examiner

The examination results are contained in the attached report for your consideration. The report provides the scope of the examination, summarizes the applicable NAIC *Market Regulation Handbook* standards, testing performed, and lists the findings identified in reviews.

The Market Conduct team thanks you for the opportunity to serve the Missouri Department of Commerce and Insurance and the citizens of the great State of Missouri in conducting this examination.

Respectfully,

Teresa Kroll
Chief Examiner, Market Conduct
Missouri Department of Commerce and Insurance

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FOREWORD

The following is a Market Conduct Examination Report performed by DCI staff market conduct examiners in the Market Conduct Section of the Division of Insurance Market Regulation. The Division of Insurance Market Regulation is an area of the Department of Commerce and Insurance that is statutorily required to perform the functions of rate and form regulation and monitor marketplace activity in addition to other functions assigned by the Director. The Market Conduct Section is tasked with the responsibility of ensuring equitable treatment of Missouri policyholders. One mechanism for performing this duty is to conduct a market conduct examination to review insurers documents for compliance with Missouri statutes and regulations. Based on information obtained through market analysis, the Director of the Missouri Department of Commerce and Insurance determined the market activities of Progressive Casualty Insurance Company warranted additional scrutiny and an examination warrant was issued on June 3, 2020.

The following is a "report by exception." The report does not present a comprehensive overview of the insurer's practices. Rather, it contains a summary of the non-compliant activities discovered during the course of the examination regarding the Company's private passenger auto insurance. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon, or criticize non-compliant practices, procedures, products or files in this state or other jurisdictions does not constitute acceptance or approval of such practices.

Pursuant to § 374.205.4 RSMo, all working papers, recorded information, documents and copies thereof produced by, obtained by, or disclosed to the Director or any person in the course of the examination are provided confidential treatment.

Statutory citations that were in effect during the time of the examination period were applied.

When used in this report:

- "Company" or "PCIC" refers to the Progressive Casualty Insurance Company
- "CSR" refers to the Missouri Code of State Regulations
- "DCI" refers to the Missouri Department of Commerce and Insurance
- "Director" refers to the Director of the Missouri Department of Commerce and Insurance
- "Division" refers to Division of Insurance Market Regulation
- "Handbook" refers to the 2020 NAIC *Market Regulation Handbook*
- "NAIC" refers to the National Association of Insurance Commissioners
- "RSMo" refers to the Revised Statutes of Missouri 2016, unless otherwise noted

SCOPE OF EXAMINATION

The market conduct examiners reviewed the Company's business practices to determine compliance with Missouri insurance laws and regulations during the scope of the examination. This market conduct examination was performed in accordance with §§ 374.110, 374.190, 374.205, 375.938, and 375.1009, RSMo, which empowers the Director of the DCI to examine property and casualty companies.

The primary period covered by this review is January 1, 2017 through December 31, 2019, unless otherwise noted. Errors found outside of this time period may also be included in the report. The examination consisted of a review of the following lines of insurance and business area:

Private Passenger Automobile Insurance
I. Claims
II. Underwriting and Rating
III. Marketing
IV. Operations and Management
V. Complaint Handling

Private passenger automobile insurance is the liability and physical damage insurance coverage that individual citizens carry on their vehicles driven for personal use. With regard to this line of business, market conduct examiners were tasked with reviewing the Company's private passenger automobile insurance in the State of Missouri. This report addresses the claims portion of the exam only. A report addressing any findings for the balance of the areas reviewed will be forthcoming in a separate report. Some areas of review were the Company's total loss valuations, denials and closed without payment claims.

METHODOLOGY

The examiners utilized the Handbook standards when planning for and conducting their reviews. Applicable Handbook standards associated with identified errors are specifically cited in the Examination Findings section of this report. When determining which files to review, the examiners conducted both census reviews and sample reviews, as appropriate.

A review of all records in the population for a test is referred to as a census review. When a population is too large for a census review, the test is conducted by reviewing a sample of systematically selected number of records from within a population. With regards to sampling, the examiners referenced the guidance provided by the Handbook and utilize two sampling methodologies discussed in the sampling chapter: random and stratified. Under a random sampling methodology, all items in the target population have an equal chance of appearing in a sample. Under stratified sampling, the sample is obtained by performing a separate and independent random sample on a subpopulation of interest. The methodology used for each specific test is set out in the Examination Findings section of this report. Unless otherwise noted, the examiners selected all files on a random basis where a sample of a larger population was taken.

Samples were tested for compliance with standards established by the NAIC and the Department. When assessing compliance with the Unfair Trade Practices Act or Unfair Claims Settlement Practices Act, the examiners considered if the Company's actions were committed with such frequency to indicate a general business practice or if the actions were committed in conscious disregard of the law. One mechanism used by the examiners to assess if a general business practice violation occurred is to compare the Company's observed error ratio for such a practice against the NAIC benchmark error ratios of 7% for claims practices errors and 10% for unfair trade practices errors. Observed error ratios which exceed these benchmarks are presumed to occur at

such frequency to indicate a general business practice. Where a general business practice was identified, error ratios are set forth in the tables.

COMPANY PROFILE

Progressive Casualty Insurance Company is a wholly-owned subsidiary of Drive Insurance Holdings, Inc., whose ultimate parent is The Progressive Corporation, an insurance holding company. PCIC was incorporated in the State of Ohio in November of 1956 for the purpose of transacting insurance business, except life insurance, in various classes of insurance as set forth in the insurance laws. PCIC is rated "A+" by A.M. Best.

PCIC is a property and casualty insurer and is part of The Progressive Insurance Group, which consists of 86 companies, 48 of which are insurance companies.

PCIC is currently licensed in all states. PCIC is currently transacting the following lines of business: Homeowners Multi-Peril, Commercial Multi-Peril, Inland Marine, Medical Professional Liability, Other Liability, Other Private Passenger Auto Liability, Private Passenger Auto No-Fault, Private Passenger Auto Physical Damage, Other Commercial Auto Liability, Commercial Auto No-Fault, Commercial Auto Physical Damage and Surety. The written premium, market share, and incurred losses for the last year of the exam timeframe is captured in the table below. Premium has trended up from $161,770,615 in 2017 to $257,224,662 in 2019 for Missouri Private Passenger Automobile.

Progressive Casualty Insurance Company Financial Reporting 2019			
Line of Business	**Written Premium**	**Market Share**	**Incurred Losses**
Missouri Private Passenger Automobile	$257,224,662	6.03%	$139,638,440
Missouri Total – All Property & Casualty	$334,329,443	2.81%	$185,317,641
Missouri Total – All Lines of Business	$334,329,443	1.02%	$185,317,641
Nationwide Total – All Lines of Business	$8,925,701,332	---	$5,173,811,961

EXECUTIVE SUMMARY

Compliance issues were found in the claims area examined for private passenger automobile coverage. The following is a summary of the findings:

CLAIMS

- The Company did not timely investigate and resolve claims.
- The Company did not handle claims in accordance with policy provisions and applicable statutes, rules and regulations.
- The Company did not promptly acknowledge communications.
- The Company did not adequately document claim files.
- The Company did not disclose policy benefits, coverages, or provisions.

- The Company did not effectuate prompt, fair, and equitable claim settlements.
- The Company did not implement reasonable standards for the settlement of claims.
- The Company did not handle the denial of claims in accordance with state law.

EXAMINATION FINDINGS

I. CLAIMS

The claims portion of the examination provides a review of the Company's compliance with Missouri statutes and regulations regarding claims handling practices such as the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations. The following Handbook standards were considered:

- Chapter 20 Claims:
  - Standard 2: Timely investigations are conducted.
  - Standard 3: Claims are resolved in a timely manner.
  - Standard 4: The regulated entity responds to claims correspondence in a timely manner.
  - Standard 5: Claims files are adequately documented.
  - Standard 6: Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.
  - Standard 9: Denied and closed without payment claims are handled in accordance with policy provisions and state law.

In accordance with these Handbook standards, the examiners:

A. Requested and reviewed policies, procedures, and guidelines that pertained to claim handling procedures, including the investigation and payment of claims, for compliance with Missouri statutes and regulations.

B. Requested and reviewed the policy provisions and requirements to pay claims in accordance with policy provisions and that policy provisions are congruent with statutes, rules and regulations.

C. Selected and requested claims files from data supplied by the Company. Reviews of the files were conducted to determine adherence to policy provisions, company procedures and guidelines, and Missouri statutes and regulations. The samples were selected in two areas as follows:

   1. A random sample of 109 paid total loss claim (Claims Paid) files out of a field of 10,992 from the data supplied by the Company were reviewed to determine if claims were paid appropriately and timely and in accordance with Missouri law and if total loss claims were valued appropriately, clearly documented, and handled in accordance with Missouri law. In addition, the inputs to the total loss valuation system and policies and procedures applicable to total losses were reviewed to evaluate them in practical application.

2. A random sample 105 denied/closed without payment (CWP) claim files out of 1,662 from the data supplied by the Company were reviewed to determine if claims were closed without payment or denied appropriately and timely and in accordance with Missouri law.

The sample type, field size, sample size, errors and ratios are set out in the table below:

Claims Errors						
Area of Review	**Field Size**	**Sample Size**	**Sample Method**	**Citations**	**# of Errors**	**Error Ratio**
Claims Paid	10,992	109	Random	375.1007(1)	5	4.59%
				375.1007(2)	2	1.83%
				375.1007(3)	96	88.07%
				375.1007(4)	62	56.88%
				375.1007(12)	4	3.67%
				374.205	51	NA
CWP	1,662	105	Random	375.1007(1)	4	3.81%
				375.1007(2)	6	5.71%
				375.1007(3)	15	14.29%
				375.1007(4)	1	.95%
				375.1007(12)	10	9.52%
				374.205	14	NA

The examiners found the following errors in their reviews.

1. <u>Claims Paid</u>

<u>Finding 1:</u> For three claims, the Company did not send a letter at 45 days to the insured setting forth the reasons additional time was needed for investigation.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(1)(C)

<u>Finding 2</u>: For two claims, the Company did not advise their insured of the acceptance or denial of a claim within 15 working days. In both files, the insured was not informed of a denial of coverage.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(1)(A)

<u>Finding 3:</u> For two claims, the Company did not provide an appropriate reply within ten (10) working days on communications from any claimant that reasonably suggested a response. In one of the claims no appropriate reply was made. For the second claim, a response was not made until 21 working days had passed.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 4: For one claim, the Company did not document the basis of condition scores and related settlement deductions assessed for the total loss settlement of the insured vehicle.

Reference: § 375.1007(4), RSMo, and 20 CSR 100-8.040(3)(B)

Finding 5: For four claims, the Company did not maintain a copy of the Missouri Sales Tax Affidavit for a total loss settlement in the claim file.

Reference: § 374.205.2(2), RSMo, 20 CSR 100-8.040(3)(B)3, and Company Retention Schedule

Finding 6: For one claim, the Company did not date-stamp two letters with the date received from the insured's attorney, in a legible form in ink or some other permanent manner, upon receipt of the correspondence.

Reference: § 374.205, RSMo, and 20 CSR 100-8.040(3)(B)2

Finding 7: For one claim, the Company did not disclose all pertinent benefits, coverages, or other provisions of an insurance policy by failing to disclose applicable medical payments coverage to the insured.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 8: For one claim, the Company did not disclose all pertinent benefits, coverages, or other provisions of an insurance policy by failing to disclose to the insured that aftermarket equipment permanently installed on the insured vehicle was covered under the policy.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 9: For three claims, the Company did not disclose all pertinent benefits, coverages, or other provisions of an insurance policy by failing to inform the insured that damages deducted from the total loss settlement could potentially be covered as a separate loss under applicable physical damages coverages.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 10: For nine claims, the Company did not effectuate a fair and equitable settlement by failing to include all optional equipment of vehicles in total loss settlements, resulting in underpayments.

Reference: § 375.1007(4), RSMo

Finding 11: For seven claims, the Company did not implement reasonable standards for the settlement of claims and did not effectuate fair and equitable settlements by mis-categorizing the condition of vehicles in total loss settlements.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 12: For one claim, the Company did not effectuate a fair and equitable settlement by incorrectly calculating the salvage value of an insured vehicle in which the insured retained the salvage. No underpayment was requested as the error resulted in a minimal difference.

Reference: § 375.1007(4), RSMo

Finding 13: For one claim, the Company did not implement reasonable standards for a fair settlement of claim by miscalculating the salvage value of a third-party claimant's vehicle in which the claimant retained the salvage, resulting in an underpayment.

Reference: § 375.1007(3), RSMo

Finding 14: For one claim, the Company did not attempt to effectuate prompt, fair and equitable settlement of claims by failing to reimburse for medical bills that had been submitted by the third-party claimant, resulting in an underpayment.

Reference: § 375.1007(4), RSMo

Finding 15: For one claim, the Company did not implement reasonable standards for the settlement of a claim and did not attempt in good faith to effectuate a prompt, fair and equitable settlement by not calculating the claim settlement amount correctly, resulting in an overpayment.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 16: For one claim, the Company did not effectuate a prompt, fair and equitable settlement by incorrectly calculating the deductible refund owed to an insured, resulting in an overpayment.

Reference: § 375.1007(4), RSMo

Finding 17: For one claim, the Company did not effectuate a prompt, fair and equitable settlement by accidentally failing to apply the assessed conditioning deduction for the valuation of a third-party claimant's total loss settlement, resulting in an overpayment.

Reference: § 375.1007(4), RSMo

Finding 18: For 48 instances in 47 claims, the Company did not effectuate prompt, fair and equitable settlement of claims by obscuring individual characteristics of comparable vehicles used in calculating total loss settlements. By failing to include any identifying information for these comparable vehicles in the claim files, the Company precluded any attempt to ascertain if the comparable vehicles were truly comparable.

Reference: §§ 374.205.2(2), 375.1007(3), and 375.1007(4), RSMo, and 20 CSR 100-8.040(2) & (3)(B)1

Finding 19: For 84 instances in 78 claims, the Company did not implement reasonable standards and effectuate prompt, fair and equitable settlement of claims by failing to itemize depreciation deductions in total loss settlements. As deductions were not itemized, examiners were unable to determine if the reductions were appropriate in calculating fair and equitable settlements.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(2)(E)

Finding 20: For seven claims, the Company did not document the basis of salvage quotes used for owner retained settlements.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-8.040(2), and 20 CSR 100-8.040 (3)(B)

Finding 21: The Company did not adopt and implement reasonable standards when selecting, implementing and monitoring an estimating software system that was used to prepare estimates. The estimates were noncompliant because they did not have a required disclosure with notification on the use of automobile part(s) not made by the original equipment manufacturer.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(2)(D)2

Finding 22: The Company did not effectuate prompt, fair and equitable settlement by not including the required disclosure when preparing any customer estimates based on the use of automobile part(s) not made by the original equipment manufacturer.

Reference: § 375.1007(4), RSMo, and 20 CSR 100-1.050(2)(D)2

Finding 23: For one claim, the Company did not attempt to effectuate prompt, fair and equitable settlement of claims when the Named Insured Driver was injured in this loss and submitted a claim under medical payments coverage and the company denied a claim payment. The Company reviewed the submitted medical bills and sent an explanation of benefits indicating, in error, that all procedures were performed for a condition not related to the motor vehicle accident. This resulted in an underpayment.

Reference: § 375.1007(4), RSMo

Finding 24: For three claims, the Company did not, in the case of a first-party claims denial, promptly provide a reasonable and accurate explanation of the basis for such actions in writing.

Reference: § 375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 25: For one claim, the Company did not promptly provide a reasonable and accurate explanation of the basis of a claims denial when the insured's attorney submitted a settlement demand under Uninsured Motorist Bodily Injury Coverage. The Company determined the claim was not payable but did not send a written denial stating the specific policy provision as the basis for the denial.

Reference: § 375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A)

2. Denied/Closed Without Payment Claims

Finding 26: For four claims, the Company did not send a letter at 45 days to the insured setting forth the reasons additional time was needed for investigation.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(1)(C)

Finding 27: For two claims, the Company did not advise their insured of the acceptance or denial of a claim within 15 working days. In one file, the insured was informed of the denial 46 working days after the insured provided all requested information, and, in a second file, the insured was informed 85 working days after the insured provided all requested information.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 28: For four instances in one claim, the Company did not provide an appropriate reply within 10 working days to communications received from attorneys representing their insured and a third-party claimant. No response was made to either a letter of representation or requests for follow up included with the letters sent by a third-party claimant's attorney. A demand was received from the insured's attorney and no response was sent until 34 working days had passed.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 29: For two instances in one claim, the Company did not provide an appropriate reply within 10 working days to communications from an attorney representing a third-party claimant that reasonably suggested a response was expected. The Company made no response to requests included with a letter of representation and only left a message to call back after two written requests were received inquiring about the status of the claim. The status requests were received 13 and eight working days before the adjuster attempted to call the attorney.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 30: For one claim, the Company did not provide instructions and reasonable assistance to a first-party claimant within 10 working days of notification of a claim and did not acknowledge, with reasonable promptness, pertinent communications. The Company did not explain the basis of the ongoing coverage investigation or provide specific instructions on what was required to conclude the investigation until a

reservation of rights letter was sent 21 days after the loss had been reported to the Company.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(3)

Finding 31: For one claim, the Company did not provide an appropriate reply within 10 working days on communications from an attorney representing a first-party claimant. The Company made no response to one of the requests included with a letter of representation and did not make a response to others until 13 working days after the communication had been received.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 32: For one claim, the Company did not provide an appropriate reply within 10 working days to a communication from an attorney representing a first-party claimant that reasonably suggested a response was expected. The Company made no response to requests included with a letter of representation.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 33: For two instances in one claim, the Company did not provide an appropriate reply within 10 working days of communications when the Company made no response to two separate communications regarding medical expenses incurred by insureds.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 34: For five claims, the Company did not adequately maintain the claim files as the files indicated first-party denial letters had been sent, but the referenced first-party denial letters were not found in the files.

Reference: § 374.205.2 (2), RSMo, and 20 CSR 100-8.040(3)(B)1

Finding 35: For one claim, the Company did not maintain the claim file to show clearly the inception, handling, and disposition of the claim when the file referenced that a first-party denial letter had been sent, but the referenced letter was not found in the file, and handling appears to have occurred that was not documented with file notes.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)(1)

Finding 36: For one claim, the Company did not maintain the claim file to show clearly the inception, handling, and disposition of the claim when the file referenced that a first-party denial letter had been sent, but the referenced letter was not found in the file, and it is not clear if the insured was informed of either the denial or the basis of the denial.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)(1)

Finding 37: For one claim, the Company did not maintain the claim file to show clearly the inception, handling, and disposition of the claim when the file referenced that a reservation of rights letter had been sent, but the referenced letter was not found in the file, it is unclear if the insureds were informed of a denial, and it was unclear if the ongoing investigation of a coverage question was concluded.

Reference: § 374.205.2(2), RSMo, 20 CSR 100-8.040(3)(B)1, and Company Retention Schedule

Finding 38: For two claims, the Company misrepresented relevant facts or policy provisions relating to coverages at issue by incorrectly informing the insured that no policies were in force for the claimed date of loss.

Reference: § 375.1007(1), RSMo

Finding 39: For one claim, the Company did not implement reasonable standards for settlement of claims by failing to follow the Company's adopted standards for sending reservations of rights letters.

Reference: § 375.1007(3), RSMo, and Company Reservation of Rights Guidelines

Finding 40: For one claim, the Company misrepresented relevant facts or policy provisions by incorrectly informing the insured that the policy was not in force on the claimed date of loss.

Reference: § 375.1007(1), RSMo

Finding 41: For three instances in one claim, the Company misrepresented relevant facts and policy provisions by informing an insured that 1) the Missouri Department of Insurance requires vehicle owners to mitigate damages; 2) the insured did not disclose the registered owner of a vehicle when this information was never requested or required by the Company; and 3) coverage was denied because the operator of a vehicle was not an insured on the policy but was really denied coverage for violation of a policy condition related to fraud or misrepresentation.

Reference: § 375.1007(1), RSMo

Finding 42: For one claim, the Company did not attempt to effectuate prompt, fair and equitable settlement of claims when the Company denied this loss after determining the insured had violated a policy condition related to fraud or misrepresentation in that the insured failed to disclose that the driver of the vehicle was the owner of and a regular driver of the insured vehicle. The insured could not have misrepresented the ownership of the insured vehicle as the Company does not request this information from their insured. Additionally, the insured disputed that the driver was a regular operator of the insured vehicle, and the Company did not obtain evidence supporting their conclusion that the driver was a regulator operator of the vehicle.

Reference: § 375.1007(4), RSMo

Finding 43: For one claim, the Company did not implement a reasonable standard by not correctly following the policy provision for a claim request or demand for return of unearned premium, resulting in an underpayment.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.010(1)(B)

Finding 44: For one claim, the Company did not implement reasonable standards for a claims denial because the insured did not cooperate with a coverage investigation. The insured was never explicitly informed of the coverage investigation, and the insured had been incorrectly informed by the Company that the policy was not in force on the reported date of loss which resulted in an improper application of the Company's guidelines.

Reference: § 375.1007(3), RSMo, and Company Reservation of Rights Guidelines

Finding 45: For nine claims, when denying coverage to a first-party claimant, the Company did not document that it promptly provided a reasonable and accurate explanation of the basis for such actions in writing as required by § 375.1007(12). The claim files did note denial letters were sent, but without a copy of the letter or specific language used, compliance with the cited code could not be confirmed.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 46: For four first-party claims denials, the Company did not provide reasonable and accurate explanations for such actions. In each claim there was no indication a denial letter was sent.

Reference: § 375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 47: For one claim, the Company did not provide a reasonable and accurate explanation to a third-party claimant for a claims denial. Coverage for this loss was denied as the policy was not in force at the time of the loss, and the Company left a message for the third-party claimant indicating the claim was denied. The Company denied the claim, but they did not provide a reasonable and accurate explanation of the basis of the denial to the third-party claimant guest passenger.

Reference: § 375.1007(12), RSMo

Finding 48: For one claim, the Company did not provide a specific policy provision, condition or exclusion in the denial letter provided to the insured and incorrectly indicated to the insured that the policy canceled in November of 2019 when the actual cancelation date was in November of 2018.

Reference: § 375.1007(12), RSMo

Finding 49: For one claim, the Company did not provide a specific policy provision, condition or exclusion in the denial letter provided to the insured that referenced a Named Driver Exclusion Endorsement. The letter did not reference the endorsement unique to the policy and excluded driver.

Reference: § 375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 50: For one claim, the Company did not provide a reasonable and accurate explanation when the Company provided a denial letter to the Named Insured which did not accurately reference the applicable policy provisions considered. The denial letter did not explain the basis of the denial, used unclear language, did not explain the conclusions reached by the Company, and did not contain a reasonable or accurate explanation.

Reference: § 375.1007(12), RSMo

Finding 51: For two instances in one claim, the Company did not provide an accurate explanation for the basis of claims denials and did not include a reference to policy provisions or conditions when denying coverage to the first-party insured. First, the Company sent the insured a letter partially denying storage charges, incorrectly citing the Missouri Department of Insurance as the reason and basis. Secondly, the Company then fully denied coverage and sent a denial letter indicating their investigation revealed that the driver involved in the accident was not an insured driver on the policy on the date of the accident.

Reference: § 375.1007 (12), RSMo, and 20 CSR 100-1.050(1)(A)

FINAL EXAMINATION REPORT SUBMISSION AND ACKNOWLEDGEMENT

Attached hereto is the Division of Insurance Market Regulation's final report of the examination of Progressive Casualty Insurance Company (NAIC #24260), Missouri Examination Number #360266. The findings in the final report were extracted from the Market Conduct Examiner's Draft Report, dated August 6, 2024. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this final report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This final report has been reviewed and approved by the undersigned.

The courtesy and cooperation extended by the officers and employees of the Company during the course of the Examination are hereby acknowledged.

January 27, 2025
Date

Teresa Kroll
Chief Examiner, Market Conduct

This examination was conducted by and the draft report was produced by the following team members:

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