



# Illinois Department of Insurance

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Bruce Rauner  
Governor

Anne Melissa Dowling  
Acting Director

October 26, 2016

Mr. John A. Hollar, President  
Permanent General Assurance Corporation  
Permanent General Assurance Corporation of Ohio  
2636 Elm Hill Pike, Suite 510  
Nashville, TN 37230-5054

**Re: Permanent General Assurance Corporation, NAIC 37648**  
**Permanent General Assurance Corporation of Ohio, NAIC 22906**  
***Market Conduct Examination Report Closing Letter***

Dear Mr. Hollar:

The Department has reviewed your Companies' proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Jack Engle, MCM  
Assistant Deputy Director-Market Conduct and Analysis  
Illinois Department of Insurance  
320 West Washington- 5th Floor  
Springfield, IL 62767  
217-558-1058  
E-mail: [Jack.Engle@Illinois.gov](mailto:Jack.Engle@Illinois.gov)

**Permanent General Assurance Corporation**

**and**

**Permanent General Assurance Corporation of Ohio**

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: November 30, 2015 through February 5, 2016

EXAMINATION OF: Permanent General Assurance Corporation  
NAIC #37648

Permanent General Assurance Corporation of Ohio  
NAIC #22906

LOCATION: 2636 Elm Hill Pike  
Nashville, Tennessee 37214

PERIOD COVERED BY EXAMINATION: December 1, 2013 through November 30, 2014  
(Complaints August 1, 2013 through November 30, 2014)

EXAMINERS: Timothy R. Nutt, Examiner-in-Charge  
Larry Nelson, Examiner  
Nicole Richards, Examiner  
John Watts, Examiner  
Tim Kelley, Senior Examiner  
Parker Stevens, Senior Examiner

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## I. SUMMARY

A comprehensive market conduct examination of Permanent General Assurance Corporation and Permanent General Assurance Corporation of Ohio (collectively the “Companies”) was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

The following represent general findings. However, specific details are found in each section of the report.

<b>TABLE OF VIOLATIONS</b>						
<b>Permanent General Assurance Corporation</b>						
<b>Crit #</b>	<b>Statute/ Rule</b>	<b>Description of Violation</b>	<b>Population</b>	<b>Files Reviewed</b>	<b>Number of Violations</b>	<b>Error %</b>
1	50 Ill. Adm. Code 919.80(b)(2)	Claims: First-Party Paid—No written explanation for claim delay	114	37	2	5.4%
2	50 Ill. Adm. Code 919.80(c)	Claims: Total Loss—No Exhibit A letter	7	7	7	100%
3	50 Ill. Adm. Code 919.80(b)(2)	Claims: Total Loss—No written explanation for claim delay	7	7	3	42.9%
7	50 Ill. Adm. Code 919.80(b)(2)	Claims: First-Party CWP—No written explanation for claim delay	103	41	1	2.4%
8	50 Ill. Adm. Code 919.80(b)(3)	Claims: Third-Party CWP—No written explanation for claim delay	166	46	2	4.3%
9	50 Ill. Adm. Code 919.50(a)(2)	Claims: Third-Party CWP—No denial letter sent	166	46	1	2.2%
10	215 ILCS 5/143b	Claims: Subrogation—Failure to refund deductible timely	18	18	3	16.7%
11	50 Ill. Adm. Code 919.80(c)	Claims: Subrogation—No Exhibit A letter	18	18	6	33.3%
12	50 Ill. Adm. Code 919.80(b)(2)	Claims: Subrogation—No written explanation for claim delay	18	18	3	16.7%
13	50 Ill. Adm. Code 754.10	Underwriting—Failure to apply filed rates	6,748	80	1	1.3%
14	50 Ill. Adm. Code 919.50(a)(1)	Claims: First-Party CWP—No Notice of Availability of DOI with the denial letter	103	41	7	17.1%

<b>TABLE OF VIOLATIONS</b>						
<b>Permanent General Assurance Corporation of Ohio</b>						
<b>Crit #</b>	<b>Statute/ Rule</b>	<b>Description of Violation</b>	<b>Population</b>	<b>Files Reviewed</b>	<b>Number of Violations</b>	<b>Error %</b>
1	50 Ill. Adm. Code 919.80(b)(2)	Claims: First-Party Paid—No written explanation for claim delay	137	45	10	22.2%
2	50 Ill. Adm. Code 919.50(a)(1)	Claims: First-Party CWP—No Notice of Availability of DOI with the denial letter	88	35	8	22.9%
3	50 Ill. Adm. Code 919.80(b)(2)	Claims: Total Loss—No written explanation for claim delay	10	10	2	20%
4	50 Ill. Adm. Code 919.80(c)	Claims: Total Loss —No Exhibit A letter	10	10	10	100%
5	50 Ill. Adm. Code 919.80(c)	Claims: Subrogation—No Exhibit A letter	33	22	2	9.1%
7	50 Ill. Adm. Code 919.80(b)(3)	Claims: Third-Party Paid—No written explanation for claim delay	202	38	4	10.5%

## II. BACKGROUND

### Permanent General Assurance Corporation

The General began selling insurance in 1963 under the name Permanent General Agency. The General's main insurer, Permanent General Assurance Corporation ("The Company" or "PGAC"), was incorporated on August 25, 1983, as a property and casualty company insuring non-standard automobile risks in Tennessee. On June 30, 1989, Ingram Industries Inc. (Ingram) purchased PGAC and its parent, Permanent General Companies (PGC). Ingram is a large privately held and diversified company based in Nashville, Tennessee. In 2004, Ingram sold the stock of PGC to Capital Z Financial Services Fund II.

On December 31, 2012, American Family Insurance acquired the Permanent General group of companies from Capital Z. Permanent General remains a completely separate brand from American Family and continues to operate as a separate entity. Currently the Company writes high risk private passenger automobile insurance in 43 states. The Company plans to enter three new states in 2016 and to expand nationally by the end of 2017. The Company's corporate home office is located at 2636 Elm Hill Pike, Nashville, Tennessee 37214.

### Permanent General Assurance Corporation of Ohio

Permanent General Assurance Corporation of Ohio ("The Company" or "PGACOH") writes high risk private passenger automobile insurance in its state of domicile, Ohio, as well as Arizona, Colorado, Georgia, Illinois, Iowa, Kentucky, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas and Virginia. The Company was founded in 1991 and is based in Valley View, Ohio with an additional office in Nashville, Tennessee.

The Companies' 2013 and 2014 NAIC Annual Statements (Page 19 Illinois), reflect the following:

Year	Company	Business Line	Direct Premium Written	Direct Premium Earned	Direct Losses Paid	Direct Losses Incurred
2014	PGAC	Other Private Passenger Auto Liability	\$3,604,616	\$2,807,934	\$1,425,806	\$1,330,871
2014	PGAC	Private Passenger Auto Physical Damage	\$982,207	\$758,561	\$350,607	\$336,865
2014	PGACOH	Other Private Passenger Auto Liability	\$1,782,226	\$1,657,978	\$864,286	\$956,982
2014	PGACOH	Private Passenger Auto Physical Damage	\$596,258	\$522,484	\$372,734	\$312,229
2013	PGAC	Other Private Passenger Auto Liability	\$2,745,737	\$2,733,951	\$1,495,906	\$1,465,600
2013	PGAC	Private Passenger Auto Physical Damage	\$665,451	\$647,048	\$256,747	\$291,305
2013	PGACOH	Other Private Passenger Auto Liability	\$1,622,259	\$1,608,747	\$705,703	\$666,201
2013	PGACOH	Private Passenger Auto Physical Damage	\$492,777	\$445,192	\$292,381	\$338,717

### **III. METHODOLOGY**

The Market Conduct Examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The period under review was generally December 1, 2013 through November 30, 2014. The following categories were the general areas examined:

- A. Operations and Management
- B. Complaint Handling
- C. Marketing and Sales
- D. Producer Review
- E. Risk Selection
- F. Underwriting and Rating
- G. Claims

The review of these categories was accomplished through the examination of Company procedures, policy files, claim files, written interrogatories and interviews with Company personnel. Each of these categories was examined for compliance with Illinois Department of Insurance rules and regulations, and applicable state laws.

Criticisms were provided to the Companies addressing violations discovered in the review process. All valid criticisms were incorporated into this report.

The following methods were used to obtain the required samples and to assure a statistically accurate and methodical selection. The samples were developed from Company-generated data. The sample size was based on the most recent NAIC *Market Regulation Handbook* and random samples were generated using Audit Command Language (ACL) software. The selected samples were provided to the Companies for retrieval.

#### Operations and Management

The review of the Companies' operations and management is designed to determine how the Companies operate. Examiners reviewed both publically available documents, such as prior market conduct examinations and annual statements, as well as internal documents such as Company procedures and internal audit reports.

#### Complaint Handling

Department of Insurance Complaints and direct consumer complaints for the period August 1, 2013 through November 30, 2014, were reviewed for compliance with applicable state laws and Company guidelines.

Department of Insurance Complaints – The population request for this category consisted of complaints received from the Illinois Department of Insurance (DOI) during the experience period. The Companies' complaint records (logs) were reconciled with the individual file information and the DOI records to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Consumer Complaints – The population request for this category consisted of complaints received directly from consumers during the experience period. The Companies’ complaint records (logs) were reconciled with the individual file information to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

### Marketing and Sales

The Marketing and Sales portion of the examination is designed to evaluate the representations made by the Companies about their products and services. The items requested for this category consisted of all sales, advertising, producer training and producer communications created during the examination period. This review was based on a judgmental sample.

### Producer Review

Producer terminations and licensing were reviewed for compliance with statutory requirements.

### Risk Selection

Cancellations and non-renewals were reviewed for compliance with statutory requirements and to ensure reasons for termination were valid and not unfairly discriminatory. Samples were selected based on transactions occurring during the period under examination.

### Underwriting and Rating

The underwriting sample consisted of new and renewal business and was selected based on the inception and renewal date occurring during the period under examination. Policies were reviewed for rating accuracy, use of filed rates, use of filed forms, and compliance with the Companies underwriting guidelines.

### Claims

Claims were selected based on settlement occurring within the period under examination. Claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1, *et seq.*) and Part 919 of Title 50 of the Illinois Administrative Code (50 Ill. Adm. Code 919). Reviews were conducted of both claims paid and those closed without payment (CWP).

## SELECTION OF SAMPLES

### Permanent General Assurance Corporation

		<u>Total Files</u>	<u># Reviewed</u>	<u>% Reviewed</u>
A.	Operations Management	N/A	N/A	N/A
B.	Complaint Handling			
	1. DOI Complaints	2	2	100%
	2. Non-DOI Complaints	2	2	100%
C.	Marketing and Sales			
	1. Marketing and Sales	96	50	52.1%
D.	Producer Review			
	1. Producer Terminations	31	31	100%
	2. Producer Licensing	142	79	55.6%
E.	Risk Selection			
	1. Cancellations	5,509	78	1.4%
	2. Non-Renewals	2	2	100%
F.	Underwriting			
	1. New Business	6,748	80	1.2%
	2. Renewal Business	1,483	80	5.4%
G.	Claims			
	1. First-Party Paid	114	37	32.5%
	2. First-Party CWP	103	41	39.8%
	3. Third-Party Paid	360	67	18.6%
	4. Third-Party CWP	166	46	27.7%
	5. Total Loss	7	7	100%
	6. Subrogation	18	18	100%

Permanent General Assurance Corporation of Ohio

		<u>Total Files</u>	<u># Reviewed</u>	<u>% Reviewed</u>
A.	Operations Management	N/A	N/A	N/A
B.	Complaint Handling			
	1. DOI Complaints	1	1	100%
	2. Non-DOI Complaints	1	1	100%
C.	Marketing and Sales			
	1. Marketing and Sales	Combined with PGAC.		
D.	Producer Review			
	1. Producer Terminations	Combined with PGAC.		
	2. Producer Licensing	Combined with PGAC.		
E.	Risk Selection			
	1. Cancellations	2,670	38	1.4%
	2. Non-renewals	3	3	100%
F.	Underwriting			
	1. New Business	2990	36	1.2%
	2. Renewal Business	653	36	5.5%
G.	Claims			
	1. First-Party Paid	137	45	32.8%
	2. First-Party CWP	88	35	39.8%
	3. Third-Party Paid	202	38	18.8%
	4. Third-Party CWP	129	35	27.1%
	5. Total Loss	10	10	100%
	6. Subrogation	33	22	66.7%

**IV. FINDINGS**

**A. Operations and Management**

No violations were noted.

**B. Complaint Handling**

1. Department of Insurance Complaints

No violations were noted.

2. Non-Department of Insurance (Consumer) Complaints

No violations were noted.

**C. Marketing and Sales**

No violations were noted.

**D. Producer Review**

1. Producer Terminations

No violations were noted.

2. Producer Licensing

No violations were noted.

**E. Risk Selection**

1. Private Passenger Automobile Cancellations

No violations were noted.

2. Private Passenger Automobile Non-renewal

No violations were noted.

F. Underwriting and Rating

1. Automobile – New Business

For one (1) policy, the Company failed to apply the filed rates as required by 50 Ill. Adm. Code 754.10, resulting in a premium overcharge of \$114. Criticism 13 was issued to PGAC.

2. Automobile – Renewals

No violations were noted.

G. Claims

1. Private Passenger Auto – First-Party Paid

In two (2) claims, the Company failed to provide a written explanation for delay as required by 50 Ill. Adm. Code 919.80(b)(2). Criticism 1 was issued to PGAC.

In ten (10) claims, the Company failed to provide a written explanation for delay as required by 50 Ill. Adm. Code 919.80(b)(2). Criticism 1 was issued to PGACOH.

2. Private Passenger Auto – First-Party Closed Without Payment

In one (1) claim, the Company failed to provide a written explanation for delay as required by 50 Ill. Adm. Code 919.80(b)(2). Criticism 7 was issued to PGAC.

In seven (7) claims, the Company failed to provide a Notice of Availability of the Department of Insurance with the denial letter as required by 50 Ill. Adm. Code 919.50(a)(1). Criticism 14 was issued to PGAC.

In eight (8) claims, the Company failed to provide a Notice of Availability of the Department of Insurance with the denial letter as required by 50 Ill. Adm. Code 919.50(a)(1). Criticism 2 was issued to PGACOH.

3. Private Passenger Auto – Third-Party Paid

In four (4) claims, the Company failed to provide a written explanation for delay as required by 50 Ill. Adm. Code 919.80(b)(3). Criticism 7 was issued to PGACOH.

4. Private Passenger Auto – Third-Party Closed Without Payment

In two (2) claims, the Company failed to provide a written explanation for delay as required by 50 Ill. Adm. Code 919.80(b)(3). Criticism 8 was issued to PGAC.

In one (1) claim, the Company failed to provide a denial letter as required by 50 Ill. Adm. Code 919.50(a)(2). Criticism 9 was issued to PGAC.

5. Private Passenger Auto – Total Loss

In seven (7) claims, the Company failed to send a letter with the information required by Exhibit A of 50 Ill. Adm. Code 919.80(c). Criticism 2 was issued to PGAC.

In three (3) claims, the Company failed to provide a written explanation for delay as required by 50 Ill. Adm. Code 919.80(b)(2). Criticism 3 was issued to PGAC.

In two (2) claims, the Company failed to provide a written explanation for delay as required by 50 Ill. Adm. Code 919.80(b)(2). Criticism 3 was issued to PGACOH.

In ten (10) claims, the Company failed to send a letter with the information required by Exhibit A of 50 Ill. Adm. Code 919.80(c). Criticism 4 was issued to PGACOH.

6. Private Passenger Auto – Subrogation

In three (3) claims, the deductible due to the insured after recoveries was not returned or not returned timely as required by 215 ILCS 5/143b. Criticism 10 was issued to PGAC.

In six (6) claims, the Company failed to send a letter with the information required by Exhibit A of 50 Ill. Adm. Code 919.80(c). Criticism 11 was issued to PGAC.

In three (3) claims, the Company failed to provide a written explanation for delay as required by 50 Ill. Adm. Code 919.80(b)(2). Criticism 12 was issued to PGAC.

In two (2) claims, the Company failed to send a letter with the information required by Exhibit A of 50 Ill. Adm. Code 919.80(c). Criticism 5 was issued to PGACOH.

STATE OF OHIO                    )  
  ) ss  
COUNTY OF LAKE                )

Timothy R. Nutt, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In-Charge to examine the insurance business and affairs of Permanent General Assurance Corporation and Permanent General Assurance Corporation of Ohio, (the "Company"), NAIC #37648, #22906;

That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

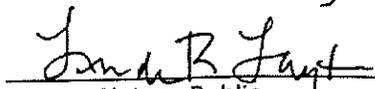
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.

  
Examiner-In-Charge

Subscribed and sworn to before me  
this 4 day of May, 2016.

  
Notary Public



LINDA R. LAYTON  
NOTARY PUBLIC, STATE OF OHIO  
LAKE COUNTY  
My Commission Expires 7/15/2017

# STATUTE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**PERMANENT GENERAL ASSURANCE CORPORATION  
PERMANENT GENERAL ASSURANCE CORPORATION OF OHIO  
2636 ELM HILL PIKE, SUITE 510  
NASHVILLE, TN 37260-5054**

### STIPULATION AND CONSENT ORDER

WHEREAS, the Acting Director of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Permanent General Assurance Corporation, NAIC 37648, and Permanent General Assurance Corporation of Ohio, NAIC 22906, ("Companies"), are authorized under the insurance laws of this State and by the Acting Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Companies was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, 407, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, 5/407, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Companies were not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS nothing herein contained, nor any action taken by the Companies in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Companies; and

WHEREAS, the Companies are aware of and understand their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Companies understand and agree that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Companies and the Acting Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Companies and the Acting Director as follows:

1. The Market Conduct Examination indicated various areas in which the Companies were not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Acting Director and the Companies consent to this Order requiring the Companies to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Acting Director that the Companies shall:

1. Institute and maintain procedures whereby the Companies provide the insured, at a minimum, the information contained in Exhibit A within 7 days when the insured vehicle is determined to be a total loss as required by 50 Ill. Adm. Code 919.80(c).
2. Institute and maintain procedures to ensure the Companies provide the insured with a reasonable written explanation for the delay when a first party claim remains unresolved in excess of 40 calendar days from the date it is reported as required by 50 Ill. Adm. Code 919.80(b)(2).
3. Institute and maintain procedures to ensure the Companies provide the claimant with a reasonable written explanation for the delay when a third party claim remains unresolved in excess of 60 calendar days from the date it is reported as required by 50 Ill. Adm. Code 919.80(b)(3).
4. Institute and maintain procedures to ensure the Companies provide the insured with "Notice of Availability of the Department of Insurance" on first party denied claims as required by 50 Ill. Adm. Code 919.50(a)(1).
5. Institute and maintain procedures to ensure the Companies provide a reasonable written explanation for denial on third party claims as required by 50 Ill. Adm. Code 919.50(a)(2).
6. Institute and maintain procedures to ensure the Companies timely reimburse the pro rata amount of the insured's deductible after recovery from the adverse party as required by 215 ILCS 5/143b.
7. Submit to the Acting Director of Insurance, State of Illinois, proof of compliance with the above six (6) orders within 30 days of execution of this Order.
8. Pay to the Acting Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$12,250 to be paid within 30 days of execution of this Order.

NOTHING contained herein shall prohibit the Acting Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Companies violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of PERMANENT GENERAL ASSURANCE CORPORATION and  
PERMANENT GENERAL ASSURANCE CORPORATION OF OHIO



Signature

David L. Hettinger

Name

Sr. VP & CAO

Title

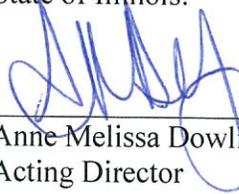
Subscribed and sworn to before me this  
19th day of August 2016.



Notary Public



DEPARTMENT OF INSURANCE of the  
State of Illinois:



Anne-Melissa Dowling  
Acting Director

DATE

9-6-16

