



Department of Consumer
and Business Services

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

MARKET CONDUCT EXAMINATION REPORT

OF:

**SAFECO INSURANCE COMPANY OF OREGON
PORTLAND, OREGON**

**NAIC COMPANY CODE 11071
GROUP CODE 111**

AS OF: MARCH 21, 2023

EXAMINATION PERIOD: AUGUST 1, 2020 THROUGH JANUARY 31, 2022



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Andrew Stolfi, Director
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter Street, NE
P.O. Box 14480
Salem, OR 97309-0405

Dear Director:

In accordance with your instructions and pursuant to ORS 731.300, a targeted market conduct examination has been performed for:

Safeco Insurance Company of Oregon

PORTLAND, OREGON

NAIC Company Code 11071

Group Code 111

NAIC Exam Tracking System Exam Number OR-EMANUELS-3

Hereinafter referred to as the "Company". The following report of examination is respectfully submitted.



FOREWORD

The examination report does not present a comprehensive overview of the Insurer's practices. The examination report provides details regarding the market conduct standards selected for the scope of the examination. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon or criticize non-compliant practices does not constitute acceptance of such practices. This targeted market conduct examination report reflects the Oregon insurance activities of Safeco Insurance Company of Oregon. The targeted market conduct examination findings are being stated in a report by test format. The materials reviewed during the market conduct examination, as reference to any practices, procedures, product forms including filings, and data files are in this examination report.

SCOPE OF EXAMINATION

This targeted market conduct examination was performed remotely via desk examination and was conducted as of March 21, 2023, covering the period of August 1, 2020 through January 31, 2022. The examination of the Company was conducted pursuant to Oregon Revised Statute (ORS) 731.300 and in accordance with procedures and guidelines established by the Division of Financial Regulation's Property and Casualty Market Conduct Program. The program generally follows the Market Conduct Examination Handbook as adopted by the National Association of Insurance Commissioners to the extent that it is consistent with Oregon law. The purpose was to determine the Company's compliance with the Wildfire Emergency Order issued by the DCBS Director dated September 18, 2020, Bulletin DFR 2020-20, and ORS 742.470 as required by House Bill (HB) 3272. See Appendix A for zip codes in Bulletin DFR 2020-20. The Company's underlying data and materials were measured against established standards. A list of all standards considered can be found in Appendix B at the end of this report. In this report, standards with 100% compliance are identified as passed without comment. Exceptions include standards with less than 100% compliance that either warranted a recommendation or where errors were noted but a



recommendation was not made. If the examiner notes a material finding not included in the established standards, it is noted under the additional findings section.

EXECUTIVE SUMMARY

The targeted market conduct examination focused on the Company's homeowner's line of business in the following areas of operation: Underwriting and rating, and forms. The Company passed all standards subject of this examination. The Company received a comment regarding Standard #8 Cancellation/nonrenewal, discontinuance and declination notices comply with policy and contract provisions, state laws and the regulated entity's guidelines. Reference: Oregon Revised Statute (ORS) ORS 731.870, ORS 84.070, ORS 746.005 to 746.270; OAR 836-080-0235, and OAR 836-085-0010 to 836-085-004; Executive Order 2035. The comment resulted from:

1. Three policies cancellation status were put on hold during the effective dates of the Emergency Order of September 18, 2020 to November 16, 2020. All three of these policies were cancelled after the Emergency Order was no longer in affect due to non-payment. The company informed each policy holder of the delay in cancellation, but did not indicate the reason the cancellation was delayed.
2. Two policies were cancelled in error as the company used the insured's mailing zip code blocks, instead of, the insured's property zip code blocks to identify policies associated with Bulletin DFR 2020-20. The company is implementing a plan to address this issue so their system will pull the address block according to the insured's property address and not the mailing address. This new process will ensure correct policies will be pulled should any future Oregon state specific event occur.



EXAMINATION FINDINGS

If applicable, examination findings comprise the basic body of the report including – sample sizing, error %, alleged violations and documentation pertaining to pertinent regulations or statues. Areas of review may include forms, marketing and sales, producer licensing, rating of policies, underwriting, rescinded policies, cancelled or non-renewed policies, claims paid or denied, and complaints.

The standards under examination were:

Standard #1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity’s rating plan. Reference: ORS 737.007 to 737.560.

The company provided and the examiners reviewed all data requested regarding all homeowners’ policies for the examination period of August 1, 2020 to January 31, 2022.

The examiner verified:

- There were 119,277 homeowner policies statewide.
- Out of the 119,277 statewide homeowner policies, 109,113 policies or 91.47% were renewed during the examination period of August 1, 2020 through January 31, 2022.
- Out of the 109,113 renewed statewide homeowner policies, 14,291 policies or 13.09% were in the Bulletin DFR 2020-20 zip codes.
- Out of 109,113 renewed statewide homeowner policies, there were 4,500 policies with claims made or 4.12% during the examination period of August 1, 2020 through January 31, 2022.
- Out of the 4,500 statewide homeowner policies with claims filed during the examination period 1,149 or 25.53% were in the Bulletin DFR 2020-20 zip codes.
- Out of the 1,149 claims in the Bulletin DFR 2020-20 zip codes during the examination period, 51 or 4.43% had a claim related to the wildfire event.
- Out of the 51 policies with a claim related to the wildfire event 10 or 19.60% were a total loss.



- a) Four of those 10 claims deemed a total loss did not rebuild, but purchased another home and cancelled their homeowner policy with the company.
- b) One claim deemed a total loss rebuilt their home, but cancelled their homeowner policy with the company.
- c) Five of those 10 claims deemed a total loss rebuilt and received an increase of home value due to inflation.

The company passed this standard without comment as no premiums were increased, nor surcharges were applied or discounts removed solely due to wildfire claims filed for the examination period. The examination team confirmed the policy premium increases for inflation for those policies with wildfire related claims that resulted in total losses, were rebuilt or within the final stages of being rebuilt. The company uses a base premium and adjusts for policy attributes and optional coverage selections. Inflation is applied uniformly across policies. No rate segmented changes were part of the filed rate revisions and territory relativities have not been updated since their 2017 filing LBPM-131244034.

Standard #5 All forms, including policies, contracts, riders, amendments, endorsement forms, and certificates are filed with the insurance department, if applicable. Reference: ORS 746.005 to 746.270; and OAR 836-080-0235. The company provided a list which included SERFF filing numbers and policy forms as a result of the implementation of HB 3272. The examiner verified:

- The company updated the forms via endorsements for their homeowners' policy forms; Renters Policy CHO-6004OR; Homeowner form HOM-7100OR - Special Provisions – Oregon; Homeowner form HOM-7130OR– Special Provisions – Oregon; Homeowner form HOM-7150OR – Special Provisions – Oregon; and Homeowners form 1780OR – Special Provisions – Oregon.
- The filing number for the updated forms were LBPM-133033959, LBPM133033961 and 133089642.

The company passed this standard without comment as the company filed and updated their policy contract forms consistent with HB 3272. All the policy filings complied with language requirements, as directed by ORS 742.470 and HB 3272.



Standard #6 Policies, contracts, riders, amendments and endorsements are issued or renewed accurately, timely and completely. Reference: ORS 84.070; ORS 742.250 to 742.572 and OAR 836-085-0010 to 836-085-0045. The examiner verified:

- Procedural documentation illustrating how policyholders are informed of policy endorsements upon renewals as a result of the implementation of HB 3272.
- The company has a compliance system continually monitored and updated to guide affected departments to ensure compliance HB 3272 and ORS 742.470.
- The modifications to the homeowner endorsements address very specific loss conditions, including the declaration of an emergency under ORS 401.165.

The company passed this standard without comment, as it updated related policy forms as a result of the implementation of HB 3272 timely. Additionally, the company has a business practice to prepare for future declaration of emergencies. The company included a copy of the approved endorsement with each renewal policy and a notice of change specifically detailing the changes to their policy.

Standard #8 Cancellation/nonrenewal, discontinuance and declination notices comply with policy and contract provisions, state laws and the regulated entity's guidelines. Reference: ORS 84.070; ORS 746.005 to 746.270; OAR 836-080-0235; and OAR 836-085-0010 to 836-085-0045. The company provided data regarding all homeowners' policies for the examination period of August 1, 2020 to January 31, 2022.

- There were 119,277 homeowner policies statewide.
- Out of the 119,277 homeowner policies, 15,412 or 12.92% were in the zip codes identified in the Bulletin DFR 2020-20.
- Out of the 119,277 statewide homeowner policies, 29,755 or 24.94% were cancelled or non-renewed during the examination period of August 1, 2020 to January 31, 2022.



- Out of the 29,755 statewide homeowner policies cancelled or non-renewed during the examination period of August 1, 2020 to January 01, 2022, 27,510 or 92.45% were cancelled by the consumer and 2,245 or 7.54 % were cancelled by the insurer.
- Out of the 29,755 statewide homeowner policies cancelled or non-renewed, 3,749 or 12.59% were in the zip codes outlined in Bulletin DFR 2020-20.
- Out of the 3,749 homeowner policies in the zip codes outlined in Bulletin DFR 2020-20, 3,477 or 92.74% were cancelled or non-renewed by the consumer and 272 or 7.25% were cancelled or non-renewed by the company.³
- Out of the 29,755 statewide policies cancelled 2,426 policies were cancelled during the effective dates of the Emergency Order issued on September 18,2020, 2,273 policies or 93.69% by the consumer and 153 policies or 6.30% by the insurer.
- Out of the 15,412 policies within the Bulletin DFR 2020-20 zip codes, 282 or 1.82% were cancelled during the effective dates of the Emergency Order issued on September 18, 2020. 274 or 97.16% were cancelled by the consumer and eight or 2.83% were cancelled by the insurer.
- Out of those eight policies cancelled by the insurer:
 - a) Two policies were removed from the listed of affected zip codes outlined in Bulletin DFR 2020-20 on October 18, 2020 and cancelled for non-payment of premium.
 - b) One policy was cancelled but rewritten under another policy number.
 - c) Three cancellations were put on hold during the effective dates of the Emergency Order of September 18, 2020 to November 16, 2020. All three of these policies were cancelled after the Emergency Order was no longer in affect due to non-payment. The company informed each policy holder of the delay in cancellation, but did not indicate the reason the cancellation was delayed.
 - d) Two policies were cancelled in error as the company used the insured's mailing zip codes instead of the policy property zip codes to identify policies associated with Bulletin DFR



2020-20. The company is implementing a plan to address this issue so their system will pull the address block according to the insured's property address and not the mailing address. This new process will ensure correct policies will be pulled should any future Oregon state specific event occur.

The company passed this standard with comment. Sample communications sent to policyholders upon cancelation or non-renewal of policies were provided as well as communications sent specifically to the affected policyholders. The affected policyholders were sent notifications during the effective time of the Emergency Order September 18, 2020 thru November 16, 2020, advising their policies would not be cancelled. These notifications indicated no information related to the Emergency Order or why these policies were no longer scheduled to be cancelled as prior communications stated. The examiner verified two policies were cancelled or non-renewed due to non-payment of premiums during the wildfire order dated September 18, 2020 or due to a claim made related to the wildfire event. The company agreed the two cancelled policies were in error as their system batched policies by mailing address and not the property address.

ADDITIONAL FINDINGS

The examiner noted no additional findings.



CONCLUSIONS

The company passed the standards subject of this examination. The company was receptive to the comment issued by the examination team regarding Standard 8. The company was proactive and addressed the comment issued by the examination team by ensuring a process is in place to make sure all the affected policies will be notified.



ACKNOWLEDGMENT

The cooperation and assistance rendered by the officers and employees of the company during this examination is acknowledged and appreciated. A special thanks is extended to the Examination Coordinator for her courtesy and assistance providing, correlating, or coordinating all requested documents to ensure a smooth transition during the overall examination process. Besides the undersigned, Sandra Emanuel participated in this examination.

Respectfully submitted,

Brian J. Fordham

Brian J. Fordham

Brian J. Fordham, MCM
Property and Casualty & Business
Analytics Program Manager
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon

4/5/2023
Date

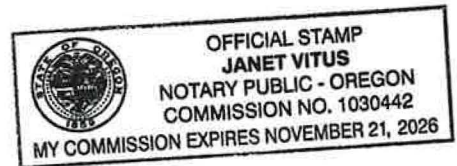
State of Oregon)
)
County of Marion)

I, Janet Vitus, Notary Public, do hereby certify that Brian J. Fordham personally appeared before me this day and acknowledged the forgoing instrument(s).

Witness my hand and official seal this 5th day of April, 2023.

Janet Vitus
Signature of Notary

Janet Vitus
Notary Printed Name
My Commission Expires: Nov 21 2026





AFFIDAVIT

The examination was conducted in accordance with the Oregon Department of Consumer and Business Services, Division of Financial Regulation and the National Association of Insurance Commissioners Market Conduct Examination procedures.

In addition to the undersigned, Sandra J Emanuel, participated in this examination and the preparation of this report.

Respectfully submitted,

Sandra J Emanuel

Sandra J Emanuel
Sandra J Emanuel
Insurance Examiner
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon

4.5.23
Date

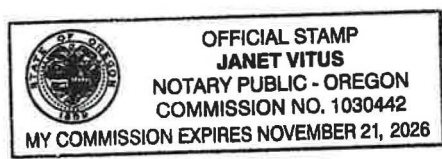
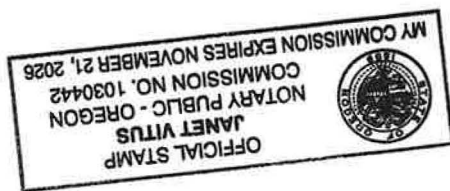
State of Oregon)
)
County of Marion)

I, Janet Vitus, Notary Public, do hereby certify that Sandra Emanuel personally appeared before me this day and acknowledged the forgoing instrument(s).

Witness my hand and official seal this 5th day of April, 2023.

Janet Vitus
Signature of Notary

Janet Vitus
Notary Printed Name
My Commission Expires: Nov, 21, 2026





**DIVISION OF FINANCIAL REGULATION
MARKET CONDUCT EXAMINATION**

**Safeco Insurance Company of Oregon
NAIC Code 11071
Group 111**

APPENDIX A

Bulletin DFR 2020-20 zip codes

97004, 97009, 97011, 97017, 97022, 97023, 97028, 97037, 97038, 97042, 97045, 97055, 97067, 97123, 97132, 97140, 97339, 97358, 97375, 97342, 97350, 97523, 97538, 97636, 97327, 97739, 97346, 97360, 97368, 97374, 97381, 97383, 97384, 97385, 97386, 97413, 97438, 97443, 97446, 97447, 97454, 97470, 97478, 97479, 97488, 97489, 97494, 97501, 97504, 97520, 97522, 97524, 97534, 97535, 97536, 97539, 97540, 97541, 97543, 97544, 97604, 97730, 97731, 97733, 97737, 97759, 97761

APPENDIX B

Underwriting – Forms

#	Standard	Regulatory Authority
1	The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan.	ORS 737.007 to 737.560
5	All forms, including policies, contracts, riders, amendments, endorsement forms, and certificates are filed with the insurance department, if applicable.	ORS 746.005 to 746.270; and OAR 836-080-0235
6	Policies, contracts, riders, amendments and endorsements are issued or renewed accurately, timely and completely.	ORS 84.070; ORS 742.560 to 743.572; and OAR 836-085-0010 to 836-085-0045
8	Cancellation/nonrenewal, discontinuance and declination notices comply with policy and contract provisions, state laws and the regulated entity's guidelines.	ORS 84.070; ORS 746.005 to 746.270; OAR 836-080-0235; and OAR 836-085-0010 to 836-085-0045