



Department of Consumer  
and Business Services

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

MARKET CONDUCT EXAMINATION REPORT

OF:

**SUBLIMITY INSURANCE COMPANY  
SUBLIMITY, OREGON**

**NAIC COMPANY CODE 26824  
GROUP CODE 2878**

AS OF: November 16, 2022

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



**TABLE OF CONTENTS**

**SALUTATION.....3**

**FOREWORD.....4**

**SCOPE OF EXAMINATION.....4**

**EXECUTIVE SUMMARY.....5**

**EXAMINATION FINDINGS.....5**

**ADDITIONAL FINDINGS.....8**

**CONCLUSIONS.....9**

**ACKNOWLEDGEMENT.....9**

**AFFIDAVIT.....10**

**APPENDIX A.....11**

*Bulletin DFR 2020-20 zip codes.....*

**APPENDIX B.....11**

*Underwriting - Forms.....*

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:

**Sublimity Insurance Company**

**SUBLIMITY, OREGON**

**NAIC Company Code 26824**

**Group Code 2878**

**NAIC Exam Tracking System Exam Number OR-EMANUELS-2**

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 Sublimity Insurance Company. 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 contained in this examination report.

## **SCOPE OF EXAMINATION**

This targeted market conduct examination was performed remotely via desk examination and was conducted as of October 24, 2022, 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 included 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 homeowners' business in the following areas of operation: Underwriting and rating, and forms. The Company passed all standards subject of this examination.

### **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 statutes. 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 11,227 homeowner policies statewide.
- Out of the 11,227 statewide homeowner policies, 9,181 policies or 81.77% were renewed during the examination period of August 1, 2020 through January 31, 2022.

- Out of the 9,181 renewed statewide homeowner policies, 2,010 of the homeowner policies or 21.89% were in the Bulletin DFR 2020-20 zip codes.
- Out of 11,227 statewide homeowner policies, there were 219 policies with claims made or 1.95% during the examination period of August 1, 2020 through January 31, 2022.
- Out of the 219 statewide homeowner policies with claims during the examination period, 138 or 63.01% had a claim related to the wildfire event.
- All of the 138 homeowner policies within the zip codes outlined in the Bulletin DFR 2020-20 received a premium increase due to inflation.
- Out of the 138 homeowner policies within the zip codes outlined in the Bulletin DFR 2020-20, 138 or 100% received an adjustment of the renewal free discount.
- Out of the 138 homeowner policies within the zip codes outlined in the Bulletin DFR 2020-20 with wildfire related claims, 0 or 100% lost renewal free discount completely upon renewals.

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. While the company adjusted the renewal discounts in instances where there were wildfire related claims, it was clear that the other policies with non-wildfire related claims also received renewal discount adjustments in comparable percentages.

**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, including endorsements for their HO1, HO3, HO4, HO5, HO6 and HO8.
- The filing number for the updated forms is AMAX-133084040.

The company passed this standard without comment as the company filed and updated their policy contract forms consistent with the provisions of 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 library that is continually updated to provide guidance to impacted departments in order to ensure compliance HB 3272 and ORS 742.470.
- The modifications to the HO endorsement 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 began including a copy of the approved endorsement with each renewal 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 11,227 homeowner policies statewide.
- Out of the 11,227 homeowner policies, 2,450 or 21.82% were in the zip codes identified in the Bulletin DFR 2020-20.

- 
- Out of the 2,450 home owner policies within the zip codes outlined in Bulletin DFR 2020-20, 2 or 0.08% policies cancelled or non-renewed.
  - Out of the two policies cancelled or non-renewed that were in the zip codes outlined in Bulletin DFR 2020-20, one or 50.00 % was cancelled by the company, and one or 50.00% was cancelled by an insured.
  - Zero of those two policies that were cancelled and that were within the zip codes outlined in Bulletin DFR 2020-20 had claims.
  - Zero homeowner policies cancelled or non-renewed during the effective dates of the Emergency Order issued on September 18, 2020.

The company provided a sampling of communications sent to policyholders upon cancelation or non-renewal of policies. The examiner verified no 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 passed this standard without comment.

#### **ADDITIONAL FINDINGS**

The examiner noted no additional findings.



**CONCLUSIONS**

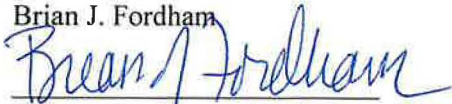
The company passed all of the standards subject of this examination.

**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, Ana Pace participated in this examination.

Respectfully submitted,

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

2/16/2023  
Date

State of Oregon        )  
                                  )  
County of Marion     )

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

Witness my hand and official seal this 16<sup>th</sup> day of Feb., 2023



Signature of Notary

Sarah Marlane Conner

Notary Printed Name

My Commission Expires: Sept. 23 2023



**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, Ana K. Pace, participated in this examination and the preparation of this report.

Respectfully submitted,

Ana K. Pace

Ana K. Pace

Ana K. Pace  
Insurance Examiner  
Department of Consumer and Business Services  
Division of Financial Regulation  
State of Oregon

02/16/2023  
Date

State of Oregon       )  
                                  )  
County of Marion     )

I, Sarah Conner, Notary Public, do hereby certify that Ana Pace personally appeared before me this day and acknowledged the forgoing instrument(s).

Witness my hand and official seal this 16<sup>th</sup> day of Feb, 2023

Sarah Marlane Conner  
Signature of Notary

Sarah Marlane Conner  
Notary Printed Name

My Commission Expires: Sept. 23 2023



**DIVISION OF FINANCIAL REGULATION  
MARKET CONDUCT EXAMINATION**

**Sublimity Insurance Company  
NAIC Code 26824  
Group 2878**

**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**

<b>#</b>	<b>Standard</b>	<b>Regulatory Authority</b>
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

