



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

MARKET CONDUCT EXAMINATION REPORT

OF:

**VALLEY PROPERTY & CASUALTY INSURANCE COMPANY
PORTLAND, OREGON**

**NAIC COMPANY CODE 10698
GROUP CODE 215**

AS OF: July 29, 2022

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:

Valley Property and Casualty Insurance Company

PORTLAND, OREGON

NAIC Company Code 10698

Group Code 215

NAIC Exam Tracking System Exam Number OR-PACEA-1

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 Valley Property and Casualty 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 examination was conducted as of July 13, 2022, covering the period of August 1, 2020 through January 31, 2022.

A targeted market conduct examination was performed remotely via desk examination. The examination of the Company was conducted under 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 follows Oregon law. The purpose was to determine the Company's compliance with the Wildfire Emergency Order issued by the 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 following exception was noted: The Company was late providing an initial response to the interrogatories. The Company was late in providing an initial response to the interrogatories as outlined in the Coordinator's Handbook that was provided on April 14, 2022. The due date was June 6, 2022. The Company provided an incomplete/partial response on June 17, 2022. The remaining outstanding materials were provided on June 22, 2022. The Company passed all of the standards subject of this examination without comment.



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 data regarding all homeowners' policies from August 1, 2020 to January 31, 2022. The examiners reviewed all homeowner policies for the aforementioned examination period.

The examiners verified the following:

- There were 3,448 homeowner policies statewide.
 - Out of 3,448 statewide homeowner policies, there were 253 claims in the exam period.
 - Out of the 253 claims in the exam period, 71 claims or 28.06% were in the zip codes included in Bulletin DFR 2020-20.
 - Out of the 71 claims within the zip codes included in the Bulletin DFR 2020-20, 22 claims or 30.98% were wildfire related.

The company passed this standard without comment as no premiums were increased or surcharges were applied to the policies for the examination period of August 1, 2020 through January 31, 2022.

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 examiners verified the following:

- Samples of copies of homeowners' policy forms, including endorsements and/or amendments.

The company passed this standard without comment as the company filed and updated policy contract forms consistent with the provisions of HB 3272. All 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 743.900 to 743.930; and OAR 836-085-0010 to 836-085-0045. The examiners verified the following:

- Procedural documentation illustrating how policyholders are informed of policy endorsements upon renewals as a result of the implementation of HB 3272.

The company passed this standard without comment as the company has updated policy contract forms consistent with agency direction. The company updated related policy forms as a result of the implementation of HB 3272 timely. Additionally, the Company has a business practice in preparation for future declaration of emergencies.

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 from August 1, 2020 to January 31, 2022.

- 573 subject homeowner policies were in the zip codes identified in DFR bulletin 2020-20.
 - Out of the 573 homeowner policies, 71 policies or 12.39% had a claim.
 - Out of the 71 claims, 22 claims or 30.98 % were wildfire related.
- 232 homeowner policies were canceled or non-renewed statewide:
 - Out of the 232 homeowner policies, 194 policies or 83.62 % were cancelled by an insured.
 - Out of the 232 policies, 38 policies or 16.37 % were cancelled by the company.

The company also provided a sampling of communications sent to policyholders upon cancellation or non-renewal of policies. The examiners verified there were no policies cancelled or non-renewed due to non-payment of premiums during the wildfire order dated September 18, 2020 or due to a wildfire claim being made. The company passed this standard without comment.

EXAMINATION COMMENT

The company was late in providing an initial response to the interrogatories as outlined in the Coordinator's Handbook that was provided on April 14, 2022. The materials were due on June 6, 2022. The company provided an incomplete response on June 17, 2022, and a final response was provided to the interrogatories on June 22, 2022.



CONCLUSIONS

Despite the initial delay in providing the initial response, the company was subsequently proactive, and demonstrated cooperation with the examiners throughout the examination. The company met all the additional deadlines established by the examiners. The company passed the standards subject of this examination without comment.



Department of
Consumer and
Business Services

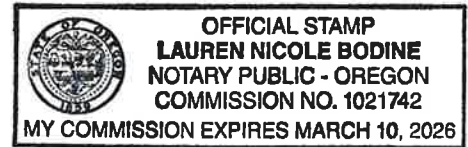
ACKNOWLEDGMENT

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 and statistics to ensure a smooth transition during the overall examination process. The responsibilities undertaken during this examination were besides the scope of her regular assigned duties. Besides the undersigned, Sandra Emanuel and Ana Pace participated in this examination.

Respectfully submitted,

A handwritten signature in blue ink that reads "Brian J. Fordham". The signature is written in a cursive style and is positioned above a horizontal line.

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





AFFIDAVIT

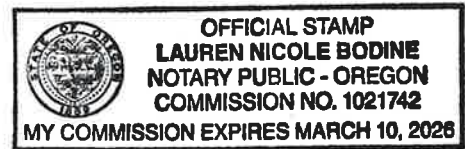
The examination was conducted under the Oregon Department of Consumer and Business Services, Division of Financial Regulation and the National Association of Insurance Commissioners Market Conduct Examination procedures. Besides the undersigned, Sandra Emanuel and Ana Pace, participated in this examination and preparing this report.

Sandra Emanuel

Sandra Emanuel
Insurance Examiner
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State of Oregon

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State of Oregon





Department of
Consumer and
Business Services

**DIVISION OF FINANCIAL REGULATION
MARKET CONDUCT EXAMINATION**

**Valley Property and Casualty Insurance Company
NAIC Code 10698
Group 215**

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 under 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 743.900 to 743.930; 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