



Department of Consumer  
and Business Services

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

MARKET CONDUCT EXAMINATION REPORT OF:  
**OREGON MUTUAL INSURANCE COMPANY MCMINNVILLE,  
OREGON**

**NAIC COMPANY CODE 14907  
GROUP CODE 645**

AS OF: June 15, 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 Stolfi:

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

**Oregon Mutual Insurance Company**

**McMinnville, Oregon**

**NAIC Company Code 14907**

**Group Code 645**

**NAIC Exam Tracking System Exam Number OR-PACEA-5**

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 noncompliant activities may not have been discovered. Failure to identify, comment upon, or criticize noncompliant practices does not constitute acceptance of such practices. This targeted market conduct examination report reflects the Oregon insurance activities of Oregon Mutual 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 in this examination report.

## **SCOPE OF EXAMINATION**

This targeted market conduct examination was performed remotely via desk examination and was conducted as of May 16, 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 (NAIC) 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 No. DFR 2020-20, and ORS 742.470 as required by House Bill (HB) 3272. See Appendix A for zip codes in Bulletin No. DFR 2020-20. The company's underlying data and materials were measured against the 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 examination team 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 line of business in the following areas of operation: Underwriting and rating, and forms.

There were a total of four standards for this examination, #1, #5, #6, and #8. The company passed standards #1 and #8 without comment. The company failed standards #5 and #6.

The company passed standard #1 without comment. The examination team did not find the company increased any policy premiums solely due to a claim made during the wildfire event. In the process of reviewing the homeowner policies for compliance with standard #1, the examination team requested further clarification on eight homeowner policies. These policies had a premium increase of 15% or more and appeared to be outliers. The examination team confirmed all eight homeowner policies were not charged an increased premium due solely to a claim related to the wildfire event. As a result in providing further clarification to the examination team, the company identified a discrepancy in one of those eight homeowner policies. The company advised the examination team the one homeowner policy was not categorized correctly as a CAT claim. The claims surcharge from the November 23, 2020 to November 23, 2021 policy period for this homeowner policy was removed and the policyholder was refunded monies owed on May 15, 2023 per the company. Although this finding was not included in the scope of this examination, it was identified while reviewing this standard and is further explained under the "additional finding" section. The company did not pass standard #5 or standard #6. On September 22, 2022, the company sent the division a filing memorandum

indicating their decision to withdraw the homeowner line of business from the Oregon market. The company decided to begin non-renewing existing policies throughout 2023 on a rolling basis. Before the company provided notice to non-renew existing policies, the company did work closely with the division during the 2020 wildfires to ensure policyholders received the benefits necessary to support policyholders. This included extending benefits to policyholders impacted by these wildfires. The company provided additional information to the division indicating that their claims leadership attested they would communicate with policyholders filing claims subject to HB 3272 about benefits. As of the date the examination work was concluded, the company had not updated their products as a result of the codification of HB 3272 into ORS 742.270. Additionally, the company had not issued notices informing Oregon policyholders of the additional benefits outlined in ORS 742.270. The company passed standard #8 without comment as the company did not cancel or non-renew any policies incorrectly during the Wildfire Emergency Order effective date of September 18, 2020 – November 16, 2020.

## EXAMINATION FINDINGS

If applicable, examination findings comprise the basic body of the report including – sample sizing, error percentage, 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, canceled or nonrenewed 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 examination team reviewed data requested regarding all homeowners' policies from August 1, 2020 to January 31, 2022. The examination team verified:

- There were 16,848 homeowner policies statewide. 2,697 homeowner policies or 16.00 % of those were in the zip codes identified in Bulletin No. DFR 2020-20.
- Out of the 16,848 homeowner policies statewide, 13,257 or 78.68% of 16,848 homeowner policies statewide were renewed.
- Out of the 2,697 homeowner policies in zip coded identified in Bulletin No. DFR 2020-20, 2,112 or 78.30% were renewed.
- Out of 13,257 statewide homeowner policies renewed, there were 851 claims made or 6.41% during the examination period of August 1, 2020 through January 31, 2022.
- Out of the 2,112 homeowner policies in the zip codes identified in Bulletin No. DFR 2020-20, there were 259 claims made or 12.26% during the examination period of August 1, 2020 through January 31, 2022.
- Out of the 851 statewide claims during the examination period, 107 or 12.57 % were

related to the wildfire event.

- Out of the 107 statewide claims related to the wildfire event, 102 claims or 95.32 % were in the zip codes identified in Bulletin No. DFR 2020-20.

The examination team reviewed requested data from the company outlining their rates, discounts, surcharges, and how they are applied to homeowner policies at renewals. The examination team confirmed the company does not have a separate peril classification related to wildfires. Any claim associated with the wildfire event was classified as a fire or smoke peril. The company passed this standard without comment as no premiums were increased, surcharges were applied or discounts removed solely due to a claim related to the wildfire event for the examination period of August 1, 2020 through January 31, 2022. In the process of reviewing the homeowner policies for compliance with standard #1, the examination team requested further clarification on eight homeowner policies. These policies had a premium increase of 15% or more and appeared to be outliers. The examination team confirmed all eight homeowner policies were not charged an increased premium due solely to a claim related to the wildfire event. As a result in providing further clarification to the examination team, the company identified a discrepancy in one of those eight homeowner policies. The company advised the examination team the one homeowner policy was not categorized correctly as a CAT claim. The claims surcharge from the November 23, 2020 to November 23, 2021 policy period for this homeowner policy will need to be removed and the policyholder is owed a refund. While the company indicated the refund was owed to the consumer, they did not indicate when the policyholder will be refunded monies owed. Although this finding was not included in the scope of this exam, it was identified while reviewing this standard and is further explained under the “additional finding” section.

**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; OAR 836-080-0235; and ORS 742.003(1). The company did not provide SERFF filing numbers and policy forms as a result of the codification of HB 3272 in ORS 742.270. The examination team verified:

- On November 10, 2021, the division held an industry communications meeting. In the meeting, the division informed insurers of the upcoming data call regarding filing changes because of the passage of HB 3272.
- In said meeting, the division also communicated of the upcoming Market Conduct Examinations of Oregon domestics.
- On November 15, 2021, the division issued a data call that included filing status regarding HB 3272.
- On December 6, 2021, the company responded to the data call and confirmed they had not updated the company filings in compliance with the codification of HB 3272 into ORS 742.270.
- As part of the methodology to evaluate whether the company was in compliance with the codification of HB 3272 into ORS 742.270, the company examination team requested previous SERFF filing numbers.
- The company replied to the examiners from their latest SERFF filing numbers update from 2011 and 2017 to show compliance with the codification of HB 3272 into ORS 742.270.
- The SERFF filing numbers were SERFF # ORMU-127117363 and SERFF # ORMU 131027761.
- The examination team reviewed the company's latest filings by the company and verified the filings did not comply with the codification of HB 3272 into ORS 742.270.
- On September 22, 2022, the company sent the division a filing memorandum indicating their decision to withdrawal the homeowner line of business from the Oregon market . The company decided to begin non-renewing existing policies throughout 2023 on a rolling basis. SERFF # ORMU-133408531

Before the company provided notice to non-renew existing policies, the company did work closely with the division during the 2020 wildfires to ensure policyholders received the benefits necessary to support policyholders. This included extending benefits to policyholders impacted by these wildfires. The company provided additional information to the division indicating that their claims leadership attested they would communicate with policyholders filing claims subject to HB 3272 about benefits. The company did not pass this standard as the company withdrew from the Oregon market and did not file policy contract forms as consistent the codification of HB3272 into ORS 742.270.

**Standard #6:** Policies, contracts, riders, amendments, and endorsements are issued or renewed accurately, timely, and completely. Reference: ORS 84.070; ORS 742.560 to 743.572; OAR 836-085-0010 to 836-085-0045; and ORS742.003(1). The examination team verified:

- The company did not to update homeowner policy contract forms to be compliant with the codification of HB 3272 into ORS 742.270.
- Since the policy contract forms were not updated as required by the codification of HB 3272 into ORS 742.270, policyholders were not sent updated policy forms as the company never filed forms and forms were not approved by the division.

The company did not pass this standard as the company did not file updated product filings related to ORS 742.270 as a result of the codification of HB 3272, nor have updated policy forms been provided to their policyholders. Should a declaration of emergency have been declared as per ORS 401.165, any associated claim should have been provided the additional benefits outlined in ORS 742.270.

**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 and the examination team reviewed data requested regarding all homeowners' policies from August 1, 2020 to January 31, 2022. The examination team verified:

- There were 16,848 homeowner policies statewide. 2,697 homeowner policies or 16.00 % were in the zip codes identified in bulletin DFR 2020-20.

Out of the 16,848 statewide homeowner policies, 4,273 policies or 25.36% were cancelled or nonrenewed during the examination period of August 1, 2020 through January 31, 2022.

- Out of the 4,273 statewide homeowners cancelled or non-renewed policies, 3,411 or 79.82% were cancelled or non-renewed by the consumer. 862 or 20.17% were cancelled or non-renewed by the company during the examination period of August 1, 2020 through January 31, 2022.
- Out of the 4,273 cancelled or non-renewed statewide homeowner policies, 677 of the homeowner policies or 15.84% were in zip codes identified in Bulletin No. DFR 2020-20.
- Out of the 677 cancelled or non-renewed policies in zip codes identified in Bulletin No. DFR 2020-20, 530 or 78.28% were cancelled or non-renewed by the consumer.
- Out of the 677 cancelled or non-renewed policies in zip codes identified in Bulletin No. DFR 2020-20, 31 or 4.57% were cancelled or non-renewed by the company.
- Out of the 4,273 cancelled or non-renewed statewide homeowner policies, 309 or 7.23% were cancelled or non-renewed during the Wildfire Emergency Order effective dates of September 18, 2020 to November 16, 2020.
- Out of the 309 cancelled or non-renewed statewide homeowner policies, 278 or 89.96% were cancelled or non-renewed by the consumer.
- Out of the 309 cancelled or non-renewed statewide homeowner policies, 31 or 10.03% were cancelled by the company during the Wildfire Emergency Order effective dates of September 18, 2020 to November 16, 2020.
- Out of the 4,273 cancelled or non-renewed policies in zip codes identified in Bulletin No. DFR 2020-20, 43 or 1.00% were cancelled or non-renewed during the Wildfire Emergency Order effective dates of September 18, 2020 to November 16, 2020.
- Out of the 43 cancelled or non-renewed policies in zip codes identified in Bulletin No. DFR

2020-20, 39 or 90.69% were cancelled by the consumer.

- Out of the 43 cancelled or non-renewed policies in zip codes identified in Bulletin No. DFR 2020-20, 4 or 9.30% were cancelled by the company.
- The four homeowner policies in the zip codes identified in Bulletin No. DFR 2020-20 were cancelled by the company during the Wildfire Emergency Order effective dates of September 18, 2020 to November 16, 2020.
  - All four homeowner policies in the zip codes identified in Bulletin No. DFR 2020-20 that were cancelled by the company were within the Wildfire Emergency Order guidelines.
  - One policy was rewritten to correct the policy term date.
  - Two policies were in zip codes originally part of the bulletin and removed from Bulletin No. DFR 2020-20 as of September 18, 2020.
  - One policy was cancelled as the owner did not occupy the property.

The company passed this standard without comment as the examination team found no policies cancelled or non-renewed outside the guidelines of Bulletin No. DFR 2020-20, and within the guidelines of the Wildfire Emergency Order dated September 18, 2020.

### **ADDITIONAL FINDINGS**

In the process of reviewing the homeowner policies for compliance with standard #1, the examination team requested further clarification on eight homeowner policies. These policies had a premium increase of 15% or more and appeared to be outliers. The examination team confirmed all eight homeowner policies were not charged an increased premium due solely to a claim related to the wildfire event. As a result in providing further clarification to the examination team, the company identified a discrepancy in one of those eight homeowner policies. The company advised the

examination team the one homeowner policy was not categorized correctly as a CAT claim. The claims surcharge from the November 23, 2020 to November 23, 2021 policy period for this homeowner policy was removed and the monies owed the policyholder were refunded on May 15, 2023.

### **CONCLUSIONS**

The company passed standard #1 without comment. The examination team did not find the company increased any policy premiums solely due to a claim made during the wildfire event.

In the process of reviewing the homeowner policies for compliance with standard #1, the examination team requested further clarification on eight homeowner policies. These policies had a premium increase of 15% or more and appeared to be outliers. The examination team confirmed all eight homeowner policies were not charged an increased premium due solely to a claim related to the wildfire event. As a result in providing further clarification to the examination team, the company identified a discrepancy in one of those eight homeowner policies. The company advised the examination team the one homeowner policy was not categorized correctly as a CAT claim. The claims surcharge from the November 23, 2020 to November 23, 2021 policy period for this homeowner's policy were removed and the policyholder was refunded monies owed.

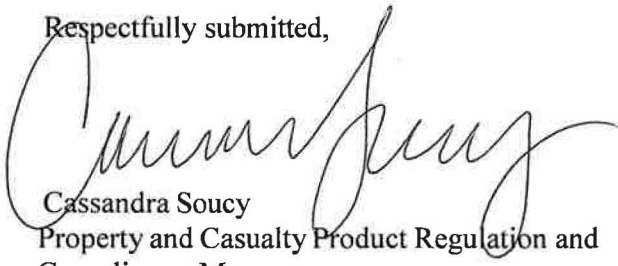
The company did not pass standard #5 and standard #6. At the conclusion of this examination, May 16, 2023, the company has not filed product filings related to ORS 742.270 because of the codification of HB3272, nor have policy forms been provided to their policyholders. The company chose to withdraw homeowner line of business from Oregon market. In doing such, the company made the decision not to file updated policy forms to be in compliance with the codification of HB 3272 into ORS 742.270. The company passed standard #8 without comment. The

examination team found no policies cancelled incorrectly solely as it relates to the Wildfire  
Emergency Order with the effective dates September 18, 2020 through November 16, 2020.

**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. The responsibilities undertaken during this examination were in addition to the scope of her regular assigned duties. In addition to the undersigned, Sandra Emanuel participated in this examination.

Respectfully submitted,



Cassandra Soucy  
Property and Casualty Product Regulation and  
Compliance Manager  
Department of Consumer and Business Services  
Division of Financial Regulation

State of Oregon

State of Oregon       )  
                                  )  
County of Marion     )

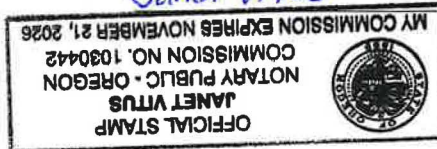
I, Janet Vitus, Notary Public, do hereby certify that Cassandra Soucy personally appeared before me this day and acknowledged the forgoing instrument(s).

Witness my hand and official seal this 10<sup>th</sup> day of August, 2023.

Signature of Notary

Janet A. Vitus  
Janet Vitus

Notary Printed Name  
My Commission Expires: 11-21-2026



**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 Emanuel, participated in this examination and the preparation of this report.

*Sandra Emanuel*

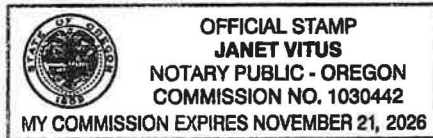
Sandra J. Emanuel  
Insurance Examiner  
Department of Consumer and Business Services  
Division of Financial Regulation  
State of Oregon

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 10<sup>th</sup> day of August, 2023.

Signature of Notary Janet Vitus  
Notary Printed Name Janet Vitus  
My Commission Expires: 11-21-2026





**DIVISION OF FINANCIAL REGULATION  
MARKET CONDUCT EXAMINATION**

**Oregon Mutual Insurance Company  
NAIC Code 14907  
Group 645**

**APPENDIX A**

**Bulletin No. 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; ORS 742.003
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; ORS 742.003
8	Cancelation/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