



Oregon
Kate Brown, Governor



Division of
Financial
Regulation

Department of Consumer
and Business Services

September 29, 2022

Sent Via Certified Mail and electronic means to: medgerley@kemper.com
Certified Mail No: 7021 1970 0000 0471 3431
Valley Property & Casualty Insurance Company
Attn: Michele Edgerley
200 East Randolph St. Ste. 3300
Chicago, IL 60601

Re: Targeted Market Conduct Examination Report
Valley Property & Casualty Insurance Company, NAIC CoCode 10698

Dear Ms. Edgerley -

Please find Valley Property & Casualty Insurance Company's (Valley) market conduct examination report for your review. The Division's examination team and the insurer examination staff attended a closing conference on September 19, 2022 to discuss Valley's concerns regarding the report draft.

In this conference, Valley expressed its concerns and shared that although there is an agreement regarding the lateness of providing the materials for the examination, the way the examination report is written appears to demonstrate that Valley didn't make an effort in gathering the materials and information requested. Valley is of the opinion that the delay was in part caused by the examination team requesting that all clarifications regarding the interrogatories and materials needed to be in writing.

The examination team provided Valley with a Coordinator's Handbook on April 14, 2022. On page number 7, the handbook indicates "Insurer must provide the requested material below to division no later than seven calendar days prior to the beginning of the examination." On page 10, the handbook also indicates "Items identified for review of the examination team as outlined in the interrogatories, must be provided at least 7 days before the beginning scheduled date for the examination". The due date for providing the complete materials was June 6, 2022.

The examination team and Valley met on May 26, 2022 at 8:30 am PST and the pre-examination meeting took place. During the meeting, there were additional questions regarding some interrogatories. The Examiner In Charge (EIC), Mr. Brian Fordham requested those questions would be communicate in writing. Since Valley hadn't provide the additional questions, the examination team communicated via email with the Coordinator on May 31, 2022. The examination reiterated the deadline of June 6, 2022 to provide the materials. The Coordinator indicated that several members of

Valley's teams would meet and would have the questions back to the examination team by close of business.

Valley provided the questions to the examination team via email on June 1, 2022. The examination team provided a complete response to Valley in writing on June 2, 2022.

Valley contacted the examination team on June 6, 2022 at 5:05 pm PST with the completed Contact Form and a request for an extension until June 27, 2022. Valley's request for an extension stated the following as reasons: "Due to complications, including system constraints which require us to merge information from multiple sources, it is now clear that we will need additional time to ensure that the final response is complete and thorough. For this reason, we request an extension until June 27, 2022 to submit the finalized response."

The request arrived after the office of the Commissioner closes. The examination team granted an extension until June 17, 2022 to provide a complete response on June 13, 2022.

Despite the extension granted by the examination team, Valley provided an incomplete response by June 17, 2022. Valley provided the remainder of the materials and response to the interrogatories by June 22, 2022.

Valley was provided with a copy of the Coordinator's Handbook on April 14, 2022. Valley had 60 days to review the scope of the exam and the interrogatories. Valley had the opportunity of evaluating its system constraints and any complications for 60 days before the deadline outlined in the Handbook. Lastly, the examination scope extended beyond the data request, and Valley produced no other materials in response to the interrogatories relative to any non-data related interrogatory items.

Insurers that disagree with findings, conclusions, and recommendations in the report the insurer can request a hearing with Director Stolfi under ORS 731.312(3). Insurers that would like to request a hearing with the Director can email dfr.pcmarketconduct@dcbs.oregon.gov. Hearing requests must be received *before* the expiration of the 30 day report consideration period. The hearing with the Director is not a contested case hearing.

Safeguarding draft reports and documentation

The draft examination reports are subject to further review and revision and are not to be considered final. Early disclosure could result in the dissemination of erroneous information or recommendations. The insurer should limit and control the distribution of draft reports. In addition, except for the final draft, draft reports and exam documentation are not subject to public records requests.

The public report

The written public report is generally the best vehicle for communicating the results of each exam. The division will provide the insurer with the expected date for releasing the final exam report and publishing it to the division's website.

Legislative testimony

Legislative committees may request that the division prepare testimony and appear at hearings. When the division testifies about a publicly released report or management letter, the testimony will be fact-based and the conclusions and recommendations will mirror those in the written report.

Recommendation follow-up

The division's recommendations are intended to improve the economy, efficiency, and effectiveness of an insurer's operations and to improve the accountability of insurers providing benefits to Oregonians. We will monitor and may report on an insurer's progress in implementing recommendations. The division will follow up on recommendations as part of recurring examination work or as an activity separate from any other examination activity. When following up on recommendations, we ask the insurer to provide evidence of implementation. Division staff will then assess the evidence and make an independent judgment call as to the status of recommendation implementation.

Press policy

The Division may issue a press release highlighting results of insurer examination reports. We are still discussing the timing of any press release on the individual report. Press questions will be handled with the DCBS Communications Office with assistance from examination staff.



Brian J. Fordham
Property and Casualty Program Manager, Division of Financial Regulation
Oregon Dept. of Consumer & Business Services
Ph. 503-947-7205