

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

In Re:

PROGRESSIVE ADVANCED
INSURANCE COMPANY
(NAIC #11851)

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Market Conduct Examination No. 360264

ORDER OF THE DIRECTOR

NOW, on this 02nd day of August, 2024, Director Chlora Lindley-Myers, after consideration and review of the market conduct examination report of Progressive Advanced Insurance Company (hereinafter "PAIC"), examination report number #360264, prepared and submitted by the Division of Insurance Market Regulation (hereinafter "Division") pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), relating to the market conduct examination #360264, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4) and §374.046.15, RSMo, is in the public interest.

IT IS THEREFORE ORDERED that the Director does hereby approve the Stipulation as agreed to by PAIC and the Division.

¹ All references, unless otherwise noted, are to Revised Statutes of Missouri 2016.

IT IS FURTHER ORDERED that PAIC shall not engage in any of the violations of statutes and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, shall maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that PAIC shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$13,000.00, payable to the Missouri State School Fund.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 02nd day of August, 2024.



Chlora Lindley Myers

Chlora Lindley-Myers
Director

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)
)
PROGRESSIVE ADVANCED) **Market Conduct Examination No. 360264**
INSURANCE COMPANY (NAIC # 11851))

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter the “Division”), and Progressive Advanced Insurance Company (NAIC #11851) (hereinafter “PAIC”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter the “Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

WHEREAS, PAIC has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct examination of PAIC, Examination No. 360264; and

WHEREAS, based on the claims review section of the market conduct examination of PAIC the Division alleges that:

1. In two instances, PAIC did not send a 45 day letter to the insured setting forth the reasons additional time was needed for investigation, implicating the provisions of §375.1007 (3)¹ and 20 CSR 100-1.050 (1) (C).

2. In three instances, PAIC did not advise their insured of the acceptance or denial of a claim

¹ All statutory references, unless otherwise noted, are to the 2016 Revised Statutes of Missouri.

within 15 working days, implicating the provisions of §375.1007 (3) and violating 20 CSR 100-1.050 (1) (A).

3. In three instances, PAIC did not provide an appropriate reply within 10 working days to communications received from a claimant or the claimant's representative, implicating the provisions of §375.1007 (2) and violating 20 CSR 100-1.030 (1) (B).

4. In 15 instances, PAIC did not maintain adequate documentation in claims files in violation of §374.205.2 (2) and 20 CSR 100-8.040 (3) (B) (1) or (3) (B) (3).

5. In four instances, PAIC did not maintain adequate documentation in its claim files to show the basis for vehicle conditioning adjustments in total loss settlements, in violation of §374.205.2 (2) and 20 CSR 100-8.040 (3) (B) (1).

6. In 13 instances, PAIC provided inaccurate information to claimants relating to coverages at issue in violation of §375.1007 (1), §375.1005 (2) and 20 CSR 100-1.020 (1) (A).

7. In 100 instances PAIC, did not adopt and implement reasonable standards for the prompt investigation and settlement of total loss claims in violation of §375.1007 (3) and §375.1005.

8. In 66 instances, PAIC did not effectuate a fair and equitable settlement of total loss claims in violation of §375.1007 (4) and §375.1005.

9. In ten instances, PAIC did not provide the claimant with a written explanation citing specific policy provisions, conditions or exclusions implicating the provisions of §375.1007 (12) and violating 20 CSR 100-1.050 (1) (A).

10. In one instance, PAIC refused to pay a claim before completing its investigation implicating the provisions of §375.1007 (6).

11. In one instance, PAIC omitted to include relevant facts in a Formal Request response provided to the Department which rendered the response inaccurate in violation of §374.210.1 (2).

12. PAIC did not include a required disclosure when preparing estimates based on the use of

automobile parts not made by the original equipment manufacturer in violation of §375.1007 (3), §375.1007 (4), §375.1005 and 20 CSR 100-1.050 (2) (D) 2.

WHEREAS, the Division and PAIC have agreed to resolve the issues raised in the market conduct investigation as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter “Stipulation”) embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** PAIC agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those remedial actions at all times. Such remedial actions shall include the following:

1. PAIC agrees that where a sales tax affidavit has been issued to a total loss claimant, it will maintain a copy of the affidavit in the claim file.

2. PAIC agrees to document conditioning scores in its claim files with clarity and specificity as required by 20 CSR 100-8.040 (3) (B). PAIC agrees that when a motor vehicle total loss is valued, the determination of the actual cash value of the total loss vehicle must be supported by documentation maintained in the claim file. PAIC also agrees that the documentation shall be in sufficient detail and clear enough for the adjuster to explain the adjustments and to show how each of the adjustments was calculated for the comparable vehicles to the insured and to the Department if necessary. PAIC further agrees that any adjustment in the value shall be itemized, measureable, verifiable, and appropriate in amount pursuant to 20 CSR 100-1.050(2)(E). The basis for any adjustment in settlement shall be maintained in writing in PAIC’s claim file.

3. PAIC agrees to reimburse all claimants for underpayments identified in the exam report

which have not already been reimbursed. Payment of interest, pursuant to §374.191 will be included with the reimbursement of the underpayment. A letter will be included indicating that as a result of a Missouri Market Conduct Examination it was discovered that additional payments were owed on the claim.

4. PAIC agrees that in assessing the value of total loss vehicles, it will categorize the condition of the vehicle based on the evidence contained in the claim file, and will only accept the adjuster's real-time determination if that determination is supported by documentary evidence contained in the claim file.

5. PAIC agrees that it will include all inputs and other documentation in the claim file needed to determine how salvage value was calculated.

6. PAIC agrees that it will not refuse to pay a claim without conducting or before completing a reasonable investigation of the claim.

7. PAIC agrees that upon written request of the Department made in connection with a market conduct examination or investigation, it will work with its vendors to provide the Department with the full Vehicle Identification Number (VIN) and place of sale of comparable vehicles utilized by PAIC or its contractors, in connection with total loss claims, for determining the value of a total loss vehicle.

8. PAIC agrees to send a written denial letter referencing a specific policy provision, condition or exclusion when a first party claim is denied on the grounds of a specific policy provision, condition or exclusion.

9. PAIC agrees to include the disclosure required by 20 CSR 100-1.050 (2) (D) 2 when preparing estimates based on the use of automobile parts not made by the original equipment manufacturer.

10. PAIC agrees to reimburse the 25 claimants identified in the PAIC examination

workpapers whose headliners were mis-rated by refunding the difference between the value of a headliner as originally scored and the value of a headliner scored as outlined by the Company's training guidelines. Payment of interest, pursuant to §374.191 will be included with the reimbursement of the underpayment. A letter will be included indicating that as a result of a Missouri Market Conduct Examination it was discovered that additional payments were owed on the claim.

11. PAIC agrees that going forward, as long as it utilizes Mitchell as a third party vendor, it will follow both the Company's and Mitchell guidelines and condition deductions for headliners as outlined by the Company's and Mitchell's guidelines and training.

12. For a period of a year after the date of the Order approving this Stipulation, the Company agrees to conduct quarterly audits of total loss claims to review and determine whether the total loss valuations contain the details as outlined in remedial action paragraph 2 and 20 CSR 100-1.050(2)(E). The Company agrees to pull a random sample of 50 policies out of all total loss claims received during the quarter and review for compliance with remedial action paragraphs 2 and 4 and 20 CSR 100-1.050(2)(E). If the compliance with these remedial actions and 20 CSR 100-1.050(2)(E) was not met, the Company agrees to address the errors with the total loss vendor and claims team as appropriate and the Company agrees to remediate the loss with the claimant, if such remediation is warranted. The Company further agrees to provide quarterly reports to the Division of all total loss claims reviewed within 45 days of the end of the quarter. The reports shall be provided in a manner acceptable to the Division. After the fourth audit, the Company agrees that as part of its practice it will continue to perform periodic and consistent quality assurance reviews of its total loss claims to ensure its total loss valuations files continue to contain the specific details as outlined in remedial actions 2 and 4 and 20 CSR 100-1.050(2)(E). The Company agrees to continue to address any errors with the total valuation vendor.

C. **Compliance.** PAIC agrees to file documentation pursuant to section 374.205 with the Division, in a format acceptable to the Division, within 45 days of the entry of an Order approving this Stipulation, of any remedial action taken to implement compliance with the terms of this Stipulation.

D. **Voluntary Forfeiture.** PAIC agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$13,000, such sum payable to the Missouri State School Fund, in accordance with §§374.049.11 and 374.280.2.

E. **Effect of this Stipulation.** This stipulation fully resolves all issues contained in the claims portion of examination no. 360264. Examination of all other issues authorized by the Examination Warrant signed by the Director remain ongoing, and neither the Department nor PAIC waive any legal rights, claims or defenses relating to the ongoing portions of the examination.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by PAIC, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above referenced market conduct examination.

G. **Waivers.** PAIC, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights to procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the market conduct examination no.360264 .

H. **Amendments.** No amendments to this Stipulation shall be effective unless made in writing and agreed to by authorized representatives of the Division and PAIC.

I. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.


J. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation, on behalf of the Division and PAIC, respectively.

K. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution by facsimile or by electronically transmitted signature shall be fully and legally effective and binding.

L. **Effect of Stipulation.** This Stipulation shall not become effective until entry of an Order by the Director of the Department (hereinafter “Director”) approving this Stipulation.

M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: July 30, 2024

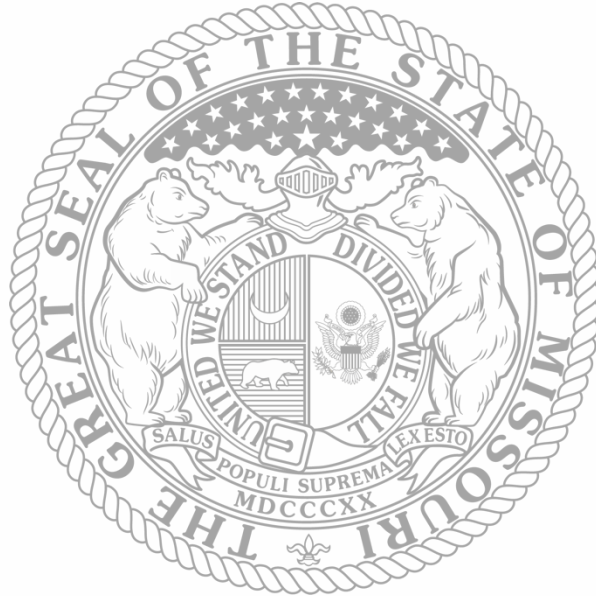


Teresa Kroll
Chief Market Conduct Examiner
Division of Insurance Market Regulation

DATED: 7/2/24

Gregory E. Schwartz

Gregory E. Schwartz, Associate General Counsel
Progressive Advanced Insurance Company



MARKET CONDUCT EXAMINATION REPORT
of the Property and Casualty Business of

Progressive Advanced Insurance Company
NAIC # 11851

Home Office:
6300 Wilson Mills Road, N71
Mayfield Village, OH 44123

Missouri Examination #360264

Covering the Time Period of
January 1, 2017, through December 31, 2019

Claims Portion of the Examination Only

**DIVISION OF INSURANCE MARKET REGULATION
DEPARTMENT OF COMMERCE & INSURANCE
STATE OF MISSOURI**

JEFFERSON CITY, MISSOURI

Governor Michael L. Parson
State of Missouri



Missouri Department of
Commerce & Insurance
Chlora Lindley-Myers, Director

Division of Insurance Market Regulation

July 23, 2024

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your market conduct examination warrant and in compliance with the statutory requirements of the State of Missouri, a targeted market conduct examination has been conducted of the specified lines of insurance and business practices of:

Progressive Advanced Insurance Company (NAIC #11851)

This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI) in Jefferson City, by the following DCI staff market conduct team members:

Shelly Herzing, Market Conduct Examiner-in-Charge
Darren Jordan, Market Conduct Examiner
Tad Herin, Market Conduct Examiner
Andrew Cope, Market Conduct Examiner

The examination results are contained in the attached report for your consideration. The report provides the scope of the examination, summarizes the applicable NAIC *Market Regulation Handbook* standards, testing performed, and lists the findings identified in reviews.

The Market Conduct team thanks you for the opportunity to serve the Missouri Department of Commerce and Insurance and the citizens of the great State of Missouri in conducting this examination.

Respectfully,

A handwritten signature in blue ink, appearing to read "T. Kroll".

Teresa Kroll
Chief Examiner, Market Conduct
Missouri Department of Commerce and Insurance

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FOREWORD

The following is a Market Conduct Examination Report performed by DCI staff market conduct examiners in the Market Conduct Section of the Division of Insurance Market Regulation. The Division of Insurance Market Regulation is an area of the Department of Commerce and Insurance that is statutorily required to perform the functions of rate and form regulation and monitor marketplace activity in addition to other functions assigned by the Director. The Market Conduct Section is tasked with the responsibility of ensuring equitable treatment of Missouri policyholders and review of insurer's documents and behavior in the market for compliance with Missouri statutes and regulations. One mechanism for performing this duty is to conduct a market conduct examination. Based on information obtained through market analysis, the Director of the Missouri Department of Commerce and Insurance determined the market activities of Progressive Advanced Insurance Company warranted additional scrutiny and an examination warrant was issued on June 3, 2020.

The following is a "report by exception." The report does not present a comprehensive overview of the insurer's practices. Rather, it contains a summary of the non-compliant activities discovered during the course of the examination regarding the Company's private passenger auto insurance. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon, or criticize non-compliant practices, procedures, products or files in this state or other jurisdictions does not constitute acceptance or approval of such practices.

Pursuant to § 374.205.4 RSMo, all working papers, recorded information, documents and copies thereof produced by, obtained by, or disclosed to the Director or any person in the course of the examination are provided confidential treatment.

Statutory citations that were in effect during the time of the examination period were applied.

When used in this report:

- "Company" or "PAIC" refers to the Progressive Advanced Insurance Company
- "CSR" refers to the Missouri Code of State Regulations
- "DCI" refers to the Missouri Department of Commerce and Insurance
- "Director" refers to the Director of the Missouri Department of Commerce and Insurance
- "Division" refers to Division of Insurance Market Regulation
- "Handbook" refers to the 2020 NAIC *Market Regulation Handbook*
- "NAIC" refers to the National Association of Insurance Commissioners
- "RSMo" refers to the Revised Statutes of Missouri 2016, unless otherwise noted

SCOPE OF EXAMINATION

The market conduct examiners reviewed the Company's business practices to determine compliance with Missouri insurance laws and regulations during the scope of the examination. This market conduct examination was performed in accordance with §§ 374.110, 374.190,

374.205, 375.938, and 375.1009, RSMo, which empowers the Director of the DCI to examine property and casualty companies.

The primary period covered by this review is January 1, 2017, through December 31, 2019, unless otherwise noted. Errors found outside of this time period may also be included in the report. The examination consisted of a review of the following lines of insurance and business areas:

Private Passenger Automobile Insurance

- I. Claims
- II. Underwriting and Rating
- III. Marketing
- IV. Operations and Management
- V. Complaint Handling

Private passenger automobile insurance is the liability and physical damage insurance coverage that individual citizens carry on their vehicles driven for personal use. With regard to this line of business, market conduct examiners were tasked with reviewing the Company's private passenger automobile insurance in the State of Missouri. This report addresses the claims portion of the exam only. A separate report addressing any findings for the balance of the areas reviewed will be forthcoming in a separate report. Some areas of review were the Company's total loss valuations, denials and closed without payment claims.

METHODOLOGY

The examiners utilized the Handbook standards when planning for and conducting their reviews. Applicable Handbook standards associated with identified errors are specifically cited in the Examination Findings section of this report. When determining which files to review, the examiners conducted both census reviews and sample reviews, as appropriate.

A review of all records in the population for a test is referred to as a census review. When a population is too large for a census review, the test is conducted by reviewing a sample of systematically selected number of records from within a population. With regards to sampling, the examiners referenced the guidance provided by the Handbook and utilize two sampling methodologies discussed in the sampling chapter: random and stratified. Under a random sampling methodology, all items in the target population have an equal chance of appearing in a sample. Under stratified sampling, the sample is obtained by performing a separate and independent random sample on a subpopulation of interest. The methodology used for each specific test is set out in the Examination Findings section of this report. Unless otherwise noted, the examiners selected all files on a random basis where a sample of a larger population was taken.

Samples were tested for compliance with standards established by the NAIC and the Department. When assessing compliance with the Unfair Trade Practices Act or Unfair Claims Settlement Practices Act, the examiners considered if the Company's actions were committed with such frequency to indicate a general business practice or if the actions were committed in conscious disregard of the law. One mechanism used by the examiners to assess if a general business practice violation occurred is to compare the Company's observed error ratio for such a practice against

the NAIC benchmark error ratios of 7% for claims practices errors and 10% for unfair trade practices errors. Observed error ratios which exceed these benchmarks are presumed to occur at such frequency to indicate a general business practice. Where a general business practice was identified, error ratios are set forth in the tables.

COMPANY PROFILE

Progressive Advanced Insurance Company ("PRADV") is a wholly-owned subsidiary of Progressive Direct Holdings, Inc., whose ultimate parent is The Progressive Corporation, an insurance holding company. PRADV was incorporated in the State of Tennessee in June of 1930 for the purpose of transacting insurance business, except life insurance, in various classes of insurance as set forth in the insurance laws. PRADV redomesticated to the state of Ohio effective December of 2001. PRADV is rated "A+" by A.M. Best. The Company's name changed from Midland Risk Insurance Company to Progressive Home Insurance Company effective September 27, 1999. The Company's name changed from Progressive Home Insurance Company to Progressive Advanced Insurance Company effective May 19, 2006.

PRADV is a property and casualty insurer and is part of The Progressive Insurance Group, which consists of 86 companies, 48 of which are insurance companies.

PRADV is currently licensed in all states *except* Massachusetts, Michigan, Minnesota, New Jersey and Wyoming. PRADV is currently transacting the following lines of business: Inland Marine, Other Liability, Private Passenger Auto No-Fault, Other Private Passenger Auto Liability, and Private Passenger Auto Physical Damage. The written premium, market share, and incurred losses for the last year of the exam timeframe is captured in the table below. Premium has trended up from \$160,175,839 in 2017 to \$226,221,157 in 2019 for Missouri Private Passenger Automobile.

Progressive Advanced Insurance Company Financial Reporting 2019			
Line of Business	Written Premium	Market Share	Incurred Losses
Missouri Private Passenger Automobile	\$225,889,801	5.30%	\$125,161,592
Missouri Total – All Property & Casualty	\$226,221,157	1.90%	\$125,202,850
Missouri Total – All Lines of Business	\$226,221,157	.69%	\$125,202,850
Nationwide Total – All Lines of Business	\$1,997,632,521	---	\$366,303,602

EXECUTIVE SUMMARY

Compliance issues were found in the claims area examined for private passenger automobile coverage. The following is a summary of the findings:

CLAIMS

- The Company did not timely investigate and resolve claims.
- The Company did not handle claims in accordance with policy provisions and applicable statutes, rules and regulations.
- The Company did not promptly acknowledge communications.
- The Company did not adequately document claim files.
- The Company did not disclose policy benefits, coverages, or provisions.
- The Company did not effectuate prompt, fair, and equitable claim settlements.
- The Company did not implement reasonable standards for the settlement of claims.
- The Company did not handle the denial of claims in accordance with state law.

EXAMINATION FINDINGS

I. CLAIMS

The claims portion of the examination provides a review of the Company's compliance with Missouri statutes and regulations regarding claims handling practices such as the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations. The following Handbook standards were considered:

- Chapter 20 Claims:
 - Standard 2: Timely investigations are conducted.
 - Standard 3: Claims are resolved in a timely manner.
 - Standard 4: The regulated entity responds to claims correspondence in a timely manner.
 - Standard 5: Claims files are adequately documented.
 - Standard 6: Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.
 - Standard 9: Denied and closed without payment claims are handled in accordance with policy provisions and state law.

In accordance with these Handbook standards, the examiners:

- A. Requested and reviewed policies, procedures, and guidelines that pertained to claim handling procedures, including the investigation and payment of claims, for compliance with Missouri statutes and regulations.
- B. Requested and reviewed the policy provisions and requirements to pay claims in accordance with policy provisions and that policy provisions are congruent with statutes, rules and regulations.
- C. Selected and requested claims files from data supplied by the Company. Reviews of the files were conducted to determine adherence to policy provisions, company procedures and guidelines, and Missouri statutes and regulations. The samples were selected in two areas as follows:

1. A random sample of 109 paid total loss claim (Claims Paid) files out of a field of 10,525 from the data supplied by the Company were reviewed to determine if claims were paid appropriately and timely and in accordance with Missouri law and if total loss claims were valued appropriately, clearly documented, and handled in accordance with Missouri law. In addition, the inputs to the total loss valuation system and policies and procedures applicable to total losses were reviewed to evaluate them in practical application.
2. A random sample 105 denied/closed without payment (CWP) claim files out of 1,606 from the data supplied by the Company were reviewed to determine if claims were closed without payment or denied appropriately and timely and in accordance with Missouri law.

The sample type, field size, sample size, errors and ratios are set out in the table below:

Claims Errors						
Area of Review	Field Size	Sample Size	Sample Method	Citations	No. of Errors	Error Ratio
Claims Paid	10,525	109	Random	375.1007(1)	10	9.17%
				375.1007(2)	1	0.92%
				375.1007(3)	93	85.32%
				375.1007(4)	70	64.22%
				375.1007(6)	1	0.92%
				375.1007(12)	4	3.67%
				374.210.1(2)	1	NA
CWP	1,606	105	Random	374.205	51	NA
				375.1007(1)	2	1.90%
				375.1007(2)	2	1.90%
				375.1007(3)	7	6.67%
				375.1007(4)	4	3.81%
				375.1007(12)	7	6.67%
374.205	7	NA				

The examiners found the following errors in their reviews.

1. Claims Paid

Finding 1: Company did not provide an appropriate reply within ten (10) working days to a letter of representation received from the claimant's attorney. A response was not made until 24 working days had passed.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 2: In one claim, the Company did not maintain a copy of an emailed lien release received from an insured.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)1

Finding 3: In five claims, the Company did not maintain a copy of the Missouri Sales Tax Affidavit for a total loss settlement in the claim file.

Reference: § 374.205.2(2), RSMo, 20 CSR 100-8.040(3)(B)3, and Company Retention Schedule

Finding 4: In one claim file, in three instances, the Company did not document whether condition deductions were reviewed with the insured, if there was any discussion about when and how deducted damages occurred, or the basis for the salvage deduction.

Reference: 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)1

Finding 5: In four claims, the Company did not maintain the claim file to show the basis for vehicle conditioning adjustments on total loss settlements. In one file no photos were retained to support the applied condition scores. In another file, available photos contradicted comments from the Company's appraiser. In the third file, no tread measurements or basis was found to support the condition score applied to the tire category. In the fourth file comments from the appraiser contradicted scores and it was unclear how the appraiser established damage related to the claim versus prior damage when inspecting the vehicle.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)(1)

Finding 6: In one claim, the Company did not maintain the claim file to document the insured driver's condition after the loss or indicate if potential injuries were discussed.

Reference: § 374.205.2 (2), RSMo, and 20 CSR 100-8.040(3)(B)1

Finding 7: In one claim, the Company did not adequately maintain the claim file as the file and a second duplicate file described and externally reported a single loss as two separate losses occurring on different dates.

Reference: § 374.205.2 (2), RSMo, and 20 CSR 100-8.040(3)(B)1

Finding 8: For one claim, the Company did not adequately maintain the claim file as the file indicated a release had been signed but failed to retain either the signed or unsigned release.

Reference: § 374.205.2 (2), RSMo, and 20 CSR 100-8.040(3)(B)1

Finding 9: The Company did not effectuate a fair and equitable settlement of the claim in which liability had become reasonably clear by deducting damage that appears to be

reasonably related to this loss from the total loss settlement resulting in an underpayment of \$171.35.

Reference: § 375.1007(4), RSMo

Finding 10: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by deducting damage that appeared to be reasonably related to this loss from the total loss settlement resulting in an underpayment of \$449.16.

Reference: § 375.1007(4), RSMo

Finding 11: In four claims, the Company did not disclose all pertinent benefits, coverages, or other provisions of an insurance policy by failing to inform the insured that damages deducted from the total loss settlement could potentially be covered as a separate loss under applicable physical damages coverages.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 12: In two claims, the Company did not disclose all pertinent benefits, coverages, or other provisions of an insurance policy by failing to disclose applicable coverage for a child car seat.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 13: The Company did not disclose all pertinent benefits, coverages, or other provisions of an insurance policy by failing to disclose and explain the policy provision, “Our Rights to Recovery Payment” and by not disclosing that the claimant might be entitled to subrogation recoveries.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 14: The Company did not disclose all pertinent benefits, coverages, or other provisions of an insurance policy under which a claim is presented by failing to disclose applicable medical payments coverage to the insured driver.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 15: The Company did not disclose all pertinent benefits, coverages, or other provisions of an insurance policy under which a claim is presented by failing to disclose applicable uninsured motorist coverage to the insured guest passenger.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 16: In one claim, in two instances, the Company did not disclose all pertinent benefits, coverages, or other provisions of an insurance policy under which a claim is

presented by not informing the insured of applicable coverage for a child car seat or that the infant passenger's injuries would be covered under liability coverage.

Reference: § 375.1007(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 17: The Company did not effectuate a fair and equitable settlement of the claim in which liability had become reasonably clear by not covering the replacement of the child car seat involved in this loss resulting in an underpayment of \$149.98.

Reference: § 375.1007(4), RSMo

Finding 18: The Company failed to effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by not covering the replacement of the child car seat involved in this loss resulting in an underpayment of \$28.97.

Reference: § 375.1007(4), RSMo

Finding 19: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by failing to include all optional equipment of the insured's vehicle in the total loss settlement, resulting in an underpayment of \$84.44.

Reference: § 375.1007(4), RSMo

Finding 20: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by failing to include all optional equipment of a claimant's vehicle in the total loss settlement, resulting in an underpayment of \$8.39.

Reference: § 375.1007(4), RSMo

Finding 21: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by failing to include all optional equipment of the insured's vehicle in the total loss settlement, resulting in an underpayment of \$50.08.

Reference: § 375.1007(4), RSMo

Finding 22: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by failing to include all optional equipment of the insured's vehicle in the total loss settlement, resulting in an underpayment of \$50.00.

Reference: § 375.1007(4), RSMo

Finding 23: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by failing to include all optional

equipment of the insured's vehicle in the total loss settlement, resulting in an underpayment of \$11.63.

Reference: § 375.1007(4), RSMo

Finding 24: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by failing to include all optional equipment of the third-party claimant's vehicle in the total loss settlement, resulting in an underpayment of \$180.00.

Reference: § 375.1007(4), RSMo

Finding 25: In two instances in one claim, the Company did not implement reasonable standards for the settlement of claims and did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by miscategorizing the condition of the insured's vehicle in the total loss settlement, resulting in a \$389.36 underpayment. The examiner determined the insured vehicle's body and paint had been categorized incorrectly.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 26: In four instances in one claim, the Company did not implement reasonable standards for the settlement of claims and did not effectuate a fair and equitable settlement of the claim in which liability had become reasonably clear by miscategorizing the condition of the insured's vehicle in the total loss settlement, resulting in a \$610.75 underpayment. The examiner determined the insured vehicle's body, engine, transmission, and dash/console had been categorized incorrectly.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 27: In one claim, in five instances, the Company did not implement reasonable standards for the settlement of claims and did not effectuate a fair and equitable settlement of the claim in which liability had become reasonably clear by miscategorizing the condition of the insured's vehicle and failing to include all optional equipment in the total loss settlement, resulting in a \$1,437.52 underpayment. The examiner determined the insured vehicle's body, engine, transmission, and paint had been categorized incorrectly.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 28: In one claim, in two instances, the Company did not implement reasonable standards for the settlement of claims and did not effectuate a fair and equitable settlement of the claim in which liability has become reasonably clear by miscategorizing the condition of the insured's vehicle in a total loss settlement, resulting in a \$1280.28 underpayment. The examiner determined the insured vehicle's body and paint was categorized incorrectly.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 29: The Company did not implement reasonable standards for the settlement of claims and did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by miscategorizing the condition of a claimant's vehicle in a total loss settlement, resulting in a \$116.41 underpayment. The examiner determined the claimant vehicle's paint was categorized incorrectly.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 30: In one claim, in four instances, the Company did not implement reasonable standards for the settlement of claims and did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by miscategorizing the condition of the insured's vehicle in a total loss settlement, resulting in a \$316.50 underpayment. The examiner determined the insured vehicle's dash/console, and the doors/interior panels, seats and carpets were categorized incorrectly. The Company fully disputed the criticism but agreed with the examiner on category corrections for the dash/console, and the doors/interior, and partially on the insured vehicle's seats.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 31: The Company did not implement reasonable standards for the settlement of claims and did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by miscategorizing the condition of the insured's vehicle in a total loss settlement, resulting in a \$100.23 underpayment. The examiner determined the insured vehicle's seats were categorized incorrectly.

Reference: §374.205.2 (2), RSMo, and 20 CSR 100-8.040 (3) (B)

Finding 32: The Company did not implement reasonable standards for the settlement of claims and did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by miscategorizing the condition of the insured's vehicle in a total loss settlement, resulting in a \$156.53 underpayment. The examiner and Company agreed the insured vehicle's tires were categorized incorrectly.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 33: In one claim, in seven instances, the Company did not implement reasonable standards for the settlement of claims and did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by miscategorizing the condition of the insured's vehicle in a total loss settlement, resulting in a \$653.37 underpayment. The examiner determined the insured vehicle's dash/console, engine, transmission, body, paint, seats and carpets were categorized incorrectly. The Company fully disputed the criticism but agreed with the examiner on category corrections for the dash/console, engine, transmission, body, and paint of the insured vehicle.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 34: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by undervaluing the insured's vehicle in this loss. The Company incorrectly considered optional equipment twice in the total loss settlement calculation for the insured vehicle, resulting in a \$12.27 underpayment.

Reference: § 375.1007(4), RSMo

Finding 35: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by undervaluing the insured's vehicle in this loss. The Company considered the same comparable vehicle twice in the total loss settlement calculation for the insured vehicle, resulting in a \$33.83 underpayment.

Reference: § 375.1007(4), RSMo

Finding 36: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by failing to reimburse their insured a portion of a deductible recovered through subrogation, resulting in a \$450.30 underpayment.

Reference: § 375.1007(4), RSMo

Finding 37: The Company did not implement reasonable standards for settlement of claims and did not effectuate a fair and equitable settlement of the claim in which liability had become reasonably clear by failing to offer medical payments coverage to an injured insured driver, resulting in an underpayment of \$1000.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 38: The Company failed to effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by not covering the injuries to the infant passenger resulting in a liability bodily injury coverage underpayment of \$750.

Reference: §§ 375.1007(4) and 374.191, RSMo

Finding 39: In 57 claims, examiners found 62 instances where the Company did not to effectuate prompt, fair and equitable settlement of claims in which liability had become reasonably clear by obscuring individual characteristics of comparable vehicles used in calculating total loss settlements. By failing to include any identifying information for these comparable vehicles in the claim files, the Company precluded any attempt to ascertain if the comparable vehicles were truly comparable.

Reference: §§ 374.205.2(2), 375.1007(3), and 375.1007(4) RSMo, and 20 CSR 100-8.040(2) and (3)(B)1

Finding 40: In 72 claims, examiners found 79 instances where the Company did not to implement reasonable standards and effectuate prompt, fair and equitable settlement of claims in which liability had become reasonably clear by failing to itemize depreciation deductions in total loss settlements. As deductions were not itemized, examiners were unable to determine if the reductions were appropriate in calculating fair and equitable settlements.

Reference: §§ 375.1007(3) RSMo, and 20 CSR 100-1.050(2)(E)

Finding 41: In nine claims, examiners found the Company did not document the basis of salvage quotes used for owner retained settlements.

Reference: § 375.1007(3) RSMo, 20 CSR 100-8.040(2) and 20 CSR 100-8.040 (3)(B)

Finding 42: The Company did not adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies through disparate treatment of similar liability claims presented in one claim file. One third-party was not compensated in any way, another had a claim denied but proved negligence through inter-company arbitration, and another claim was similarly denied but received the maximum possible settlement only after filing suit resulting in disparate treatment.

Reference: § 375.1007(3), RSMo

Finding 43: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by failing to deduct prior damages paid under a separate loss, resulting in an overpayment of \$787.68.

Reference: § 375.1007(4), RSMo

Finding 44: The Company did not effectuate a fair and equitable settlement of a claim in which liability has become reasonably clear by not covering the replacement of the child car seat involved in this loss resulting in an underpayment of \$140.84.

Reference: § 375.1007(4), RSMo

Finding 45: The Company did not adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies by selecting, implementing, and not monitoring for compliance an estimating software system that did not include the required disclosure when preparing estimates based on the use of automobile part(s) not made by the original equipment manufacturer.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(2)(D)2

Finding 46: The Company did not effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear by not including the

required disclosure when preparing any customer estimates based on the use of automobile part(s) not made by the original equipment manufacturer.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(2)(D)2

Finding 47: The Company did not in the case of a first party claims denial to promptly provide a reasonable and accurate explanation of the basis for such action in writing.

Reference: § 375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 48: The Company refused to pay claims under Liability Coverage without conducting a reasonable investigation by arbitrarily determining, before completing their investigation, that an insured guest passenger had no claim. The Company also provided inaccurate information to the examiners in response to Formal Request 48 Q2 by omitting to note that the insured guest passenger reported that her left leg was swollen, and she was attempting to seek treatment for pain.

Reference: §§ 374.210.1(2) and 375.1007(6), RSMo

Finding 49: The Company did not effectuate prompt, fair and equitable settlement of claims submitted in which liability had become reasonably clear by soliciting an Uninsured Motorist claim from the insured driver while simultaneously not soliciting an Uninsured Motorist claim from the guest passenger who the Company determined was not injured. The insured driver and guest passenger had reported almost identical injuries to the Company and received disparate treatment. The Company also failed to fully disclose all pertinent benefits and coverages to the guest passenger.

Reference: §§ 375.1007(1) and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 50: The Company did not in the case of a claims denial, promptly provide a reasonable and accurate explanation of the basis for such action. In this loss the insured stated in their recorded interview that non-covered personal items had been stolen as part of this loss, but the Company did not provide a written denial stating the specific policy provision as the basis for the denial of personal items.

Reference: § 375.1007(12) RSMo, and 20 CSR 100-1.050(1)(A)

Finding 51: The Company did not in the case of a claims denial, promptly provide a reasonable and accurate explanation of the basis for such action. In this loss, the insured presented damages for the front windshield and indicated there was no prior damage. The Company determined the front windshield damage was unrelated but failed to send a written denial stating the specific policy provision as the basis for the denial.

Reference: § 375.1007(12) RSMo, and 20 CSR 100-1.050(1)(A)

Finding 52: The Company did not in the case of a claims denial, promptly provide a reasonable and accurate explanation of the basis for such action. In this loss, the insured

had recorded a video of all presented damages. The Company's appraiser inspected the vehicle and determined some damages presented were prior damage. The Company failed to send a written denial stating the specific policy provision as the basis for the denial.

Reference: § 375.1007(12) RSMo, and 20 CSR 100-1.050(1)(A)

2. Denied/Closed Without Payment Claims

Finding 53: For two claims, the Company did not send a letter at 45 days to the insured setting forth the reasons additional time was needed for investigation.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(1)(C)

Finding 54: In three instances, the Company did not advise their insured of the acceptance or denial of a claim within 15 working days. In one file, the denial letter was sent to the insured 77 working days after the insured provided all requested information, 80 working days after the insured provided all requested information in another file, and in 30 working days since reporting in the third file.

Reference: § 375.1007(3), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 55: In one claim, in two instances, the Company did not provide an appropriate reply within ten (10) working days to communications received from attorneys representing their insured and a third-party claimant. Responses were not received until 95 and 63 working days had passed.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 56: The Company failed to provide a reply to the State of Missouri within ten (10) working days for a subrogation demand for vehicle damage. A response was not made until 72 days later when the claimant contacted the Company to check the status.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(1)(B)

Finding 57: In four claims, the Company did not adequately maintain the claim files as the files indicated first party denial letters had been sent, but the referenced first party denial letters were not found in the file.

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(3)

Finding 58: In one claim, the Company did not maintain the claim file to show the basis of the coverage decision which was not documented in claim notes or in the denial letter sent to the insured.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)1

Finding 59: In one claim, the Company did not maintain the claim file so as to show clearly the inception, handling, and disposition of each claim. In this file, the Company's reservation of rights letter indicated an incorrect basis for the question of coverage being investigated, the claim file failed to indicate the question of coverage under investigation, the reservation of rights letter misstated information about the ongoing claim investigation, and the reservation of rights letter incorrectly informed the insured applicable policy language required confirmation of the date of loss.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)1

Finding 60: The Company did not effectuate a fair and equitable settlement of a claim in which liability had become reasonably clear by failing to include all optional equipment of the third-party claimant's vehicle in the total loss settlement, resulting in an underpayment.

Reference: § 375.1007(4), RSMo.

Finding 61: The Company misrepresented relevant facts or policy provisions relating to coverages at issue by indicating Comprehensive Coverage was not carried on the policy for the date of loss when the coverage was carried.

Reference: § 375.1007(1), RSMo.

Finding 62: The Company did not adequately document whether collision coverage was disclosed to the insured.

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)

Finding 63: The Company misrepresented relevant facts or policy provisions relating to coverages at issue by misstating information about the ongoing claim investigation and incorrectly informing the insured the date of loss required confirmation in a reservation of rights letter sent to the insured.

Reference: § 375.1007(1), RSMo.

Finding 64: The Company did not implement reasonable standards for settlement of a claim and did not effectuate a prompt, fair and equitable settlement by not offering coverage after sufficient information was received to extend coverage. This claim was denied because the insured failed to cooperate with a coverage investigation that the insured was never explicitly informed of, after the insured had been unable to provide proof of the date of loss required by the Company but not outlined in the policy. At the time of the denial, the only additional investigation requested by the Company was a new statement from the insured driver. At the time of the request for a new statement, the insured had already provided similar loss details to four separate Company representatives and the Company's appraiser had inspected the insured vehicle and given specific explanations as to how the damages supported the reported facts of loss. This claim resulting in an underpayment of the claim.

Reference: §§ 375.1007(3) and 375.1007(4), RSMo

Finding 65: The Company did not in the case of a claims denial promptly provide a reasonable and accurate explanation of the basis for such action. Coverage for this loss was denied as the driver of a rental vehicle was not a household resident and did not have permission to drive the rental vehicle and was not covered under the policy, but the Company did not provide the insured a written denial.

Reference: § 375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 66: The Company did not in the case of a first party claims denial document that it promptly provided a reasonable and accurate explanation of the basis for such action in writing. The claim file for this loss indicated a letter had been sent but the Company was unable to produce the referenced letter. The claim file did note denial letters were sent to the named insured and the insured driver as required by § 375.1007 (12), but without a copy of the letter or specific language used, compliance with the cited code could not be confirmed.

Reference: 375.1007 (3), RSMo, and 20 CSR 100-1.050 (1)(A)

Finding 67: In three claims, the Company did not in the case of a first party claims document that it promptly provided a reasonable and accurate explanation of the basis for such actions in writing as required by § 375.1007(12). The claim file for these losses indicated letters had been sent but the Company was unable to produce the referenced letters.

Reference: § 375.1007 (3), RSMo, and 20 CSR 100-1.050 (1)(A)

Finding 68: In five claims, the Company did not in the case of a first party claims denial promptly provide a specific policy provision, condition or exclusion as the basis for such actions. The denial letter provided to the insured for this loss did not provide a specific policy provision, condition or exclusion.

Reference: § 375.1007 (12), RSMo, and 20 CSR 100-1.050 (1)(A)

Finding 69: The Company did not in the case of a first party claims denial to promptly provide a specific policy provision, condition or exclusion as the basis for such actions in writing. The denial letter provided to the insured for this loss indicated, in error, that no Comprehensive Coverage was carried, and also indicated coverage was denied as damages were determined to have occurred prior to a coverage change. In addition, it was unclear what explanation was given to the insured verbally.

Reference: § 375.1007 (12), RSMo, and 20 CSR 100-1.050(1)(A)

**FINAL EXAMINATION REPORT SUBMISSION AND
ACKNOWLEDGEMENT**

Attached hereto is the Division of Insurance Market Regulation's Final Report of the claims section of the examination of Progressive Advanced Insurance Company (NAIC #11851), Missouri Examination Number 360264. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated October 13, 2021. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

The courtesy and cooperation extended by the officers and employees of the Company while the Examination are hereby acknowledged.

July 25, 2024

Date



Teresa Kroll

Chief Market Conduct Examiner

This examination was conducted by and the draft report was produced by the following team members:

Win Nickens, JD
P&C Examination Manager
Market Conduct

Shelly Herzing, CIE, MCM, SCLA
P&C Examiner-In-Charge
Market Conduct

Darren Jordan, CIE
Certified Examiner
Market Conduct Section

Tad Herin, CIE
Certified Examiner
Market Conduct Section

Andrew Cope, AIE
Accredited Examiner
Market Conduct Section