

REPORT ON
THE MARKET CONDUCT EXAMINATION
OF
PROGRESSIVE NORTHERN INSURANCE COMPANY

as of

September 30, 2004

State of Rhode Island
Department of Business Regulation
Insurance Division

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Providence, Rhode Island

July 18, 2005

Honorable A. Michael Marques
Insurance Commissioner
State of Rhode Island

Dear Commissioner:

In accordance with your instructions and pursuant to the statutes of the State of Rhode Island, a Market Conduct Examination was conducted of the:

**Progressive Northern Insurance Company
6300 Wilson Mills Road, W33
Mayfield Village, Ohio 44143-2182**

hereinafter referred to as the "Company".

The examination was conducted at the regional claims office of the Company, which is located at 1350 Division Road, West Warwick, Rhode Island.

FOREWORD

Our Market Conduct Examination Report is, in general, a report by exception. Information relating to practices, procedures, and/or files subject to review during our examination, has been omitted from the report if errors and/or improprieties were not evidenced.

SCOPE OF EXAMINATION

Authority for this examination is provided by R. I. Gen. Laws §27-13-1 and §27-13.1-3. The examination covered the period from January 1, 2003, through September 30, 2004, and was conducted in accordance with standards established by the National Association of Insurance Commissioners, as well as procedures developed by the Rhode Island Department of Business Regulation, Insurance Division.

The examination encompassed a review of the following areas: Consumer or Other Related Complaints, Claim Practices, Cancellation and Nonrenewal Practices. The line of business examined was private passenger automobile.

The primary purpose of the examination was to evaluate the Company's compliance with Rhode Island Insurance Laws and Insurance Regulations, and to determine whether Rhode Island insureds and claimants were being treated equitably. The test work performed during the examination satisfied this purpose, and formed the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the insurer's files.

PROFILE OF COMPANY

Progressive Northern Insurance Company

History

The Company is a wholly owned subsidiary of Progressive Agency Holdings, Inc., an insurance holding company. Progressive Northern was incorporated in the State of Wisconsin on August 19, 1980 for the purpose of transacting insurance business, except life insurance, in various classes of insurance set forth in the Wisconsin insurance laws. The Company began writing business on March 8, 1981. Progressive Northern is licensed in 38 states and the District of Columbia. The Company currently writes only private passenger automobile coverage in the State of Rhode Island.

Operations

The Company's Rhode Island direct written premiums through the third quarter 2004 were as follows:

<u>Line of Business</u>	<u>Direct Written Premium (through 9-30-04)</u>
Other Private Passenger Auto Liability	\$ 42,220,352
Private Passenger Auto Physical Damage	\$ <u>15,507,164</u>
Total	\$ <u>57,727,516</u>

Management

As of December 31, 2003, the Officers of the Company were as follows: Glenn Morris Renwick, (President), Thomas Alfred King, (Treasurer), Dane Allen Shrallow, (Secretary).

CLAIM PRACTICES

Private Passenger Automobile

Paid Claims

A review of the Company's private passenger automobile claim practices was conducted to determine whether the Company complied with the applicable provisions of its private passenger automobile policy, did not misrepresent policyholders' rights, acknowledged pertinent communications regarding claims, made prompt investigation of claims, and made fair and equitable settlement of claims. In addition, the review was performed to evaluate whether the Company was in compliance with R. I. Gen. Laws §27-7-5, §27-8-12, §27-8-14, §27-9.1-4, §27-10.2-2, §27-29-4, §27-29-16, §27-57-1 and Rhode Island Insurance Regulations 10 and 73.

The Company provided the examiners with a listing of claims closed with payment during the period under examination. The listing contained 10,018 private passenger paid claims. From the listing, a sample of 122 private passenger paid claims files was selected for review.

Rhode Island Insurance Regulation R27-73-5.D. requires that a written acknowledgement be sent to a claimant within 10 days of receipt of notice of a claim. The examiners noted nine paid claim files in which the Company failed to provide the written acknowledgement. Additionally, for two of the nine exceptions noted, the Company did not advise the third party claimant that coverage may exist for the rental of an automobile comparable to the claimant's damaged vehicle, which is a violation of Rhode Island Insurance Regulation R27-73-5.E.

Recommendation #1 : It is recommended that a copy of the written acknowledgement of the claim be included in each file to document compliance with Rhode Island Insurance Regulation R27-73-5.D.

Recommendation #2 : It is recommended that with respect to third party claimants, a copy of the written acknowledgement be included in each file with reference to the possible eligibility for the rental of a comparable vehicle to the claimant's damaged vehicle in order to document compliance with Rhode Island Insurance Regulation R27-73-5.E.

During our testing, the examiners noted two claim files in which the Company did not process the deductible correctly. In one case, the Company did not refund the insured's deductible after the subrogation process, which is a violation of R. I. Gen. Laws §27-8-12. In the second file, the Company applied an incorrect deductible amount of \$500, when the actual deductible was \$200, as listed on the declaration page. These errors were brought to the Company's attention and refunds were processed to the insureds.

Recommendation #3 : It is recommended that the Company process deductibles in compliance with R. I. Gen. Laws §27-8-12, and its policy provisions.

During our testing, the examiners noted two claim files in which the Company made a personal injury liability payment of \$3,000 or more and did not verify whether the claimant owed past-due child support, which is in violation of R. I. Gen. Laws §27-57-1.

Recommendation #4 : It is recommended that the Company verify whether a claimant owes past-due child support on all personal injury liability payments of \$3,000 or more in order to be in compliance with R. I. Gen. Laws §27-57-1.

Claims Closed without Payment

A review of the Company's private passenger automobile claims closed without payment practices was conducted to determine whether the Company has complied with the applicable provisions of its private passenger automobile policies, not misrepresented policyholder and/or claimant rights, acknowledged pertinent communication regarding claims, made prompt investigation of claims, and made fair and equitable settlement of claims in compliance with R. I. Gen. Laws §27-9.1-4 and Rhode Island Insurance Regulation 73.

The Company provided the examiners with a listing of claims closed without payment processed during the period under examination. This population was 4,627, of which, a sample of 50 files was selected for review based on NAIC criteria.

During our testing, the examiners noted that the Company was unable to locate two of the 50 claims closed without payment files that were requested for review.

Recommendation #5 : It is recommended that the Company monitor their claims handling and record retention procedures in order to ensure that all records/files can be provided when requested.

NONRENEWALS

Private Passenger Automobile

A review of the Company's private passenger automobile nonrenewal practices was conducted to determine whether the Company complied with the applicable provisions of its private passenger automobile policy and was in compliance with R.I. Gen. Laws §31-47-4 and Rhode Island Insurance Regulation 16.

The Company provided the examiners with a listing of 110 nonrenewal policies, of which, 50 were selected for review.

During our testing, we noted that two policies were nonrenewed for losses which did not occur within the annual policy year. Rhode Island Insurance Regulation R27-16-6.B. requires that nonrenewals for loss occurrences only must have at least one chargeable or more than two (2) non-chargeable loss occurrences within the annual policy year.

Recommendation #6 : It is recommended that the Company monitor their nonrenewal practices to ensure that nonrenewals for loss occurrences only, comply with Rhode Island Insurance Regulation R27-16-6.B.

CONSUMER OR OTHER RELATED COMPLAINTS

Private Passenger Automobile

A review of the Company's private passenger automobile consumer or other related complaint practices was conducted to determine whether actions taken by the Company were in compliance with R.I. Gen. Laws §27-29-3, §27-29-4 and any other applicable Rhode Island General Laws and Regulations, the Company's complaint handling procedures and applicable policy contract provisions. A review was also performed to determine whether a pattern exists in the type of complaints generated by the Company's operations.

The Company provided the examiners with a listing of 54 Progressive Northern complaints. Forty-two of the complaints were processed through the Insurance Division

and the remaining twelve were received directly by the Company. The examiners selected for review the twelve complaints sent directly to the Company.

During our review, we noted that five complaints forwarded by the Insurance Division to the Company were not recorded on the Company's complaint register, as required by R.I. Gen. Laws §27-29-4 (13).

Recommendation #7 : It is recommended that the Company record all complaints on its complaint register to comply with R.I. Gen. Laws §27-29-4 (13).

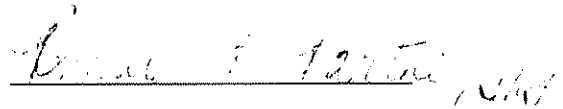
No.	SUMMARY OF RECOMMENDATIONS	Page No.
1	It is recommended that a copy of the written acknowledgement of the claim be included in each file to document compliance with Rhode Island Insurance Regulation R27-73-5.D.	6
2	It is recommended that with respect to third party claimants, a copy of the written acknowledgement be included in each file with reference to the possible eligibility for the rental of a comparable vehicle to the claimant's damaged vehicle in order to document compliance with Rhode Island Insurance Regulation R27-73-5.E.	6
3	It is recommended that the Company process deductibles in compliance with R. I. Gen. Laws §27-8-12, and its policy provisions.	6
4	It is recommended that the Company verify whether a claimant owes past-due child support on all personal injury liability payments of \$3,000 or more in order to be in compliance with R. I. Gen. Laws §27-57-1.	7
5	It is recommended that the Company monitor their claims handling and record retention procedures in order to ensure that all records/files can be provided when requested.	7
6	It is recommended that the Company monitor their nonrenewal practices to ensure that nonrenewals for loss occurrences only, comply with Rhode Island Insurance Regulation R27-16-6.B.	8
7	It is recommended that the Company record all complaints on its complaint register to comply with R.I. Gen. Laws §27-29-4 (13).	9

CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. We were not informed of, and did not become aware of any other error or irregularity that could have a material effect on the market conduct condition of the Company as presented in this report.

Assisting the undersigned in the conduct of this examination, was Robert G. Arrow, FLMI, Senior Market Conduct Examiner, Dorothy E. Wendoloski, CFE, Senior Insurance Examiner and Leonard E. Palizza Jr., Market Conduct Examiner.

Respectfully submitted,



Ronald R. Radtke

Senior Market Conduct Examiner

Rhode Island Insurance Division

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903**

_____)
IN THE MATTER OF:)
)
Progressive Northern Insurance Company) **DBR No. 07-035**
)
Respondent.)
_____)

CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation (“Department”) and Progressive Northern Insurance Company (“Respondent”) as follows:

1. Pursuant to R.I. Gen. Laws § 27-13.1-4, the Department initiated a Market Conduct Examination (“Examination”) in order to evaluate Respondent’s compliance with applicable R. I. Gen. Laws.
2. The Examination was completed and a report was issued on June 8, 2005.
3. On June 30, 2005, pursuant to R.I. Gen. Laws § 27-13.1-5(b), Respondent submitted written comments to the report.
4. On September 28, 2005, the Department issued an Order reopening the Examination for the purpose of obtaining additional data, documentation, and/or information.

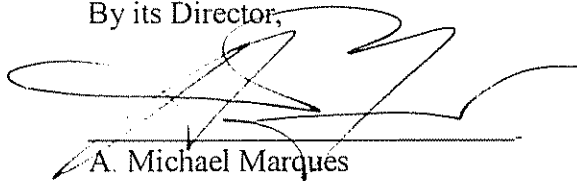
WHEREFORE, based on the foregoing, Respondent and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following administrative penalty:

Progressive Northern Insurance Company

\$10,000

Department and Respondent hereby consent and agree to the foregoing on this 9th day of February, 2007.

Department of Business Regulation
By its Director,



A. Michael Marques

Order No. 07-035

Respondent
By their attorney,

