

# COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE

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March 8, 2018

Robin Lopez  
Market Conduct Specialist  
Direct General Insurance Company  
5630 University Parkway  
Winston-Salem, NC 27105

RE: Market Conduct Examination  
Direct General Insurance Company (NAIC# 42781)  
Examination Period: April 1, 2016 – March 31, 2017

Dear Ms. Lopez:

All outstanding issues related to the market conduct examination have been resolved. The Bureau of Insurance (Bureau) is now in a position to settle the examination.

A review of the Market Conduct Examination Report of Direct General Insurance Company indicates that the company violated the following insurance laws and regulations: §§ 38.2-305 A, 38.2-610 A, 38.2-1812, 38.2-1905 A, 38.2-1906 D, 38.2-2202 A, 38.2-2202 B, 38.2-2208 A, 38.2-2208 B, 38.2-2212 C, 38.2-2212 D, 38.2-2212 E, 38.2-2220, 38.2-2234 B, 38.2-2234 E of the Code of Virginia; as well as 14 VAC 5-400-40 A, and 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a general business practice.

Violations of the laws and regulations mentioned above may result in monetary penalties of up to \$1,000 for each violation as well as suspension or revocation of an insurer's license to engage in the business of insurance in Virginia. Any violation that is knowingly and willfully committed is subject to a penalty of \$5,000 per violation.

In view of the above violations, the Bureau is willing to recommend a favorable disposition of this matter to the State Corporation Commission, subject to the following conditions:

1. The company submits a check made payable to the Treasurer of Virginia in the amount of \$41,400.00.
2. The company submits a written statement that it agrees to comply with the corrective action plan set forth in its February 21, 2018 letter.

3. The company submits a written statement that it understands that it is entitled to a hearing on this matter and that it waives its right to a hearing by making an offer of settlement.

In the event that the company is agreeable to the settlement offer set forth above, the Bureau is enclosing a settlement letter outlining the proposed settlement. An authorized representative of the company must sign, date, and return, on the company's letterhead, the letter accompanied by the payment to the Bureau by March 26, 2018.

If the Bureau does not receive a settlement offer or a request for an informal discussion, the Bureau will move the State Corporation Commission to institute proceedings against the company to show cause why it should not be penalized the maximum penalties permitted for the violations listed above.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rebecca Nichols".

Rebecca Nichols  
Deputy Commissioner  
Property and Casualty Division

RN  
Enclosure

Rebecca Nichols  
Deputy Commissioner  
Property and Casualty  
Bureau of Insurance  
P. O. Box 1157  
Richmond, VA 23218

RE: Market Conduct Examination Settlement Offer  
Ecase/Docket Number: INS-2018-00038

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated March 8, 2018, concerning the above referenced matter.

We wish to make a settlement offer on behalf of the insurance company listed below for the alleged violations of §§ 38.2-305 A, 38.2-610 A, 38.2-1812, 38.2-1905 A, 38.2-1906 D, 38.2-2202 A, 38.2-2202 B, 38.2-2208 A, 38.2-2208 B, 38.2-2212 C, 38.2-2212 D, 38.2-2212 E, 38.2-2220, 38.2-2234 B, 38.2-2234 E of the Code of Virginia; as well as 14 VAC 5-400-40 A, and 14 VAC 5-400-70 D of the Virginia Administrative Code.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$41,400.00.
2. We agree to comply with the corrective action plan set forth in the company's letter of February 21, 2018.
3. We confirm that restitution was made to 22 consumers for \$10,228.23 in accordance with the company's letter of February 21, 2018.
4. We further acknowledge the company's right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.

This offer is being made solely for the purpose of a settlement and does not constitute, nor should it be construed as, an admission of any violation of law.

Sincerely,

Direct General Insurance Company

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(Signed)

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(Type or Print Name)

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(Title)

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(Date)

Enclosure