



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF

ROOT INSURANCE COMPANY
COLUMBUS, OH

As of: September 22, 2025
Issued: November 19, 2025

**BUREAU OF MARKET ACTIONS
PROPERTY & CASUALTY DIVISION**



PENNSYLVANIA INSURANCE DEPARTMENT EXAMINATION VERIFICATION

I, Joshua Gotwalt, Market Conduct Examiner II from
(Name of Examiner) (Title of Examiner)

Pennsylvania Insurance Department certify that I was the Examiner-In-Charge of the Report of
(Name of Vendor/Department)

Examination of Root Insurance Company made as of 06/09/2025.
(Name of Examined Company) (Date)

The last date of examination file review was 10/08/2024 and the written Report
(Date)

of Examination was reviewed and accepted by the Paul Towson
(Chief of Market Conduct Examiner)

on 9/22/2025.
(Date)

I have reviewed the completed written Report of Examination and certify that the facts and figures recited therein are true and accurate, according to the records, documents and other evidence obtained during the course of the examination.

Joshua Gotwalt
(Examiner-in Charge)

Pennsylvania Insurance Department
(Name of Vendor/Department)

1321 Strawberry Square Harrisburg, PA 17120
(Address of Vendor/Department)

Joshua Gotwalt
(Examiner in Charge Signature)

06/09/2025
(Date)

IN ORDER TO SATISFY SECTION 40 P.S. § 323.5(b), THAT PROVIDES FOR NO LONGER THAN SIXTY (60) DAYS FROM THE COMPLETION OF THE EXAMINATION, THE EXAMINER IN CHARGE SHALL FILE WITH THE DEPARTMENT A VERIFIED WRITTEN REPORT OF EXAMINATION UNDER OATH.

ROOT INSURANCE COMPANY

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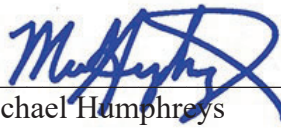
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this __3rd__ day of _July__, 2023, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate David J. Buono, Jr., Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.



Michael Humphreys
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
ROOT INSURANCE COMPANY	:	
80 E. Rich Street, Suite 500	:	
Columbus, OH 43215	:	40 P.S. §323.3(a)
	:	
	:	40 P.S. §991.2008(b)
	:	
	:	40 P.S. §1171.5(a)(8)
	:	
	:	40 P.S. §1184(a)&(h)
	:	
	:	31 Pa. Code §§62.3, 69.52(a), 69.52(b),
	:	69.52(e), 69.55(a), 146.5(d), and 146.6
	:	
	:	75 Pa. C.S. §§1716, 1725, 1797(b)(1), and
	:	1799.3(d)

Respondent. : Docket No. MC25-10-006

CONSENT ORDER

AND NOW, this 19th day of November, 2025, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. §101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is Root Insurance Company, and maintains its address at 80 E. Rich Street, Suite 500, Columbus, OH 43215.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from January 1, 2023, through December 31, 2023.
- (c) On September 22, 2025, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on October 22, 2025.

(e) The Market Conduct Examination of Respondent revealed violations of the following:

- (i) All findings and conclusions in the Examination Report, which is attached hereto, are hereby incorporated into this Consent Order

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Violations of 40 P.S. §991.2008(b) (relating to motor vehicles) of 40 P.S. are punishable by the following, under Section 991.2013: Any individual or insurer who violates any of the provisions of this article may be sentenced to pay a fine not to exceed (\$5,000).
- (c) Respondent's violations of 40 P.S. §§1171.5(a)(8) are punishable by the following, under Section 9 of the Unfair Insurance Practices Act (40 P.S. §1171.9):
 - (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

(d) In addition to any penalties imposed by the Commissioner for Respondent's violations of 40 P.S. §§1171.1 – 1171.5, the Commissioner may, under (40 P.S. §§1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:

(i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);

(ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).

(e) Respondent's violations of 31 Pa. Code §§146.5(d) and 146.6 are punishable under Sections 1 through 5 and Section 9 of the Unfair Insurance Practices Act (40 P.S. §§1171.1 – 1171.5 and 1171.9):

(i) cease and desist from engaging in the prohibited activity.

(ii) suspension or revocation of the license(s) of Respondent.

(f) In addition to any penalties imposed by the Commissioner for Respondent's violations of 40 P.S. §§1171.1 – 1171.5, the Commissioner may, under (40 P.S. §§1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:

- (i) for each method of competition, act, or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00).
- (ii) for each method of competition, act, or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall pay One Hundred Thousand Dollars (\$100,000.00) in settlement of all violations contained in the Report.
- (c) Payment of this matter shall be made at <https://www.bpp.ob.pa.gov/Customer>.
Instructions on how to do this are provided in the attached cover letter to this order.
Payment must be made no later than thirty (30) days after the date of this Order.
- (d) Respondent shall submit a report to the Department 6 months from the date the order is executed, and a report at the 1-year and 2-year mark from the date it was

executed. The Report shall provide the following information to the Department.

(1.). Total number of policies issued in Pennsylvania using the Zero Day Program.

(2). Total number of cancellations after the test drive period. (3). Total number of policyholders that had premium increases as a result of the test drive period, and the average increase amount (both as a dollar amount and a percentage) of the premium beyond the temporary rate. (4). Total number of policyholders that had premium decreases as a result of the test drive period, and the average decrease amount (both as a dollar amount and a percentage) of the premium from the temporary rate.

(e) To determine Respondent's compliance with the full and timely implementation of all recommendations in the Examination Report, the Department may inquire with the Respondent about its implementation of the Recommendations no earlier than twelve (12) months from the date of this Order.

(f) Respondent shall share the Examination Report and this Order with each of its directors and submit affidavits executed by each of its directors, stating under oath that they have received a copy of the Examination Report and this Order. Such affidavits shall be submitted within thirty (30) days of the date of this Order.

(g) Respondent shall comply with all recommendations contained in the attached Report.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegate is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegate.

BY: ROOT INSURANCE COMPANY
Respondent

DocuSigned by:
Matt Bonakdarpour
55F02DD121B244E

President/Vice-President

DocuSigned by:
Jodi Baker
5C910CDA1E00189

Secretary/Treasurer

David J. Buono

DAVID J. BUONO
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Examination of Root Insurance Company, hereinafter referred to as “Company”, was conducted at the Pennsylvania Insurance Department beginning December 11, 2023. There was no onsite portion of the exam.

Pennsylvania Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review those areas of concern in order to determine the potential impact upon Company operations or future compliance. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties.

In certain areas of review listed in this Report, the examiners will refer to “error ratio.” This error ratio is calculated by dividing the number of policies with violations by the total number of policies reviewed. For example, if 100 policies are reviewed and it is determined that there are 20 violations on 10 policies, the error ratio would be 10%.

Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the officers and employees of the Company, during the course of the examination is hereby acknowledged. The

following examiners participated in this examination and in preparation of this Report.

Paul Towsen, MCM
Market Conduct Division Chief
Pennsylvania Insurance Department

Joshua Gotwalt, MCM
Market Conduct Examiner II, EIC
Pennsylvania Insurance Department

Frank Callihan, MCM
Market Conduct Examiner II
Pennsylvania Insurance Department

Joe Bieniek
Examiner
The INS Companies

Trisha Krissman
Examiner
The INS Companies

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Root Insurance Company, at the Pennsylvania Insurance Department, located in Harrisburg, Pennsylvania. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act of 1921 and covered the experience period of January 1, 2023, through December 31, 2023, unless otherwise noted. The purpose of the examination was to determine the Company's compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

Private Passenger Automobile

1. Underwriting - Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, declinations, and rescissions.
2. Rating - Proper use of all classification and rating plans and procedures.
3. Claims
4. Complaints
5. Underwriting Practices and Procedures
6. Forms
7. Data Integrity

III. COMPANY HISTORY

Root is an Ohio-domiciled, direct-to-consumer personal lines property and casualty insurance company, which is a wholly owned subsidiary of Caret Holdings, Inc., formerly known as Root, Inc., a Delaware holding company and wholly owned by Root, Inc., formerly known as Root Stockholdings, Inc., a Delaware corporation. As of October 2020, Root, Inc. is a publicly traded entity, listed on NASDAQ under the ticker symbol ROOT. Root received approval to sell policies in the state of Pennsylvania in 2017 and sold its first policies in November of that year.

LICENSING

Root Insurance Company's last Certificate of Authority to write business in the Commonwealth was issued on April 1, 2025. Root Insurance Company is licensed to transact private passenger automobile insurance business in the following 38 states plus the District of Columbia: Alabama, Alaska, Arkansas, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Iowa, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, Missouri, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, and West Virginia. The Company's 2022 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$34,919,731. Premium volume related to the areas of this review were: Private Passenger Automobile Direct Written Premium was reported as Other Private Passenger Auto Liability \$21,782,408; and Private Passenger Auto Physical Damage \$13,137,323.

IV. UNDERWRITING

A. Private Passenger Automobile

1. Nonrenewals

A nonrenewal is considered to be any policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date.

The purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited, and Section 2006 (40 P.S. §991.2006), which establishes the requirements which must be met regarding the form and conditions of the cancellation notice.

From the universe of 151 private passenger automobile policies which were nonrenewed during the experience period, 51 files were selected for review. All 51 files requested were received and reviewed. No violations were noted.

2. Mid-term Cancellations

A mid-term cancellation is any policy that terminates at any time other than the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited, and Section 2006 (40 P.S. §991.2006), which establishes the requirements which must be met regarding the form and conditions of the cancellation notice.

From the universe of 9,858 private passenger automobile policies which were cancelled during the experience period, 100 files were selected for review. All 100 files requested were received and reviewed. The 961 violations noted were identified by the department after further review of the universe list.

The following findings were noted:

961 Violations 40 P.S. §1171.5(a)(8)

States that “Unfair Methods of Competition” and “Unfair or Deceptive Act or Practices” prohibits unfairly discriminating by means except as otherwise expressly provided by law, knowingly permitting or offering to make or making any contract of insurance, or agreement as to such contract other than as plainly expressed in the insurance contract issued thereon, or paying or allowing, or giving or offering to pay, allow or give as inducement to such insurance, any rebate of premiums payable on the contract, or any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration, inducement or anything of value whatsoever which is not specified in the contract. The Company provided coverage past the termination date without receiving payment for the 961 files noted.

961 Violations 40 P.S. §1184(a)&(h)

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in

accordance with filings or rates, which are in effect at the time of issue. The Company failed to issue policies in accordance with the Company's filed and approved rating plan. The Company provided coverage past the termination date without receiving payment for the 961 files noted.

3. 60-Day Cancellations

A 60-day cancellation is any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited. These files were also reviewed for compliance with Act 68, Section 2002(c)(3) (40 P.S. §991.2002(c)(3)), which requires an insurer who cancels a policy of automobile insurance in the first 60 days, to supply the insured with a written statement of the reason for cancellation.

From the universe of 4,235 automobile policies that were cancelled within the first 60 days of new business, 60 files were selected for review. All 60 files requested were received and reviewed. No violations were noted.

4. Declinations

A declination is any application that is received by the Company and was declined to be written.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited.

From the universe of 12,353 private passenger automobile policies which were declined during the experience period, 75 files were selected for review. All 75 files requested were received and reviewed. The 12,353 violations noted were based on the universe size of 12,353 declinations, resulting in an error ratio of 100%.

The following findings were noted:

12,353 Violations 40 P.S. §991.2008(b)

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The Company failed to provide a written notice of refusal to write for the 12,353 files noted.

5. Rescissions

A rescission is any policy which was void ab initio by the Company.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited. The review also determines compliance with the rescission requirements established by the Supreme Court of Pennsylvania in *Erie Insurance Exchange v. Lake*.

The Company reported 0 rescissions.

V. RATING

A. Private Passenger Automobile

1. New Business

New business, for the purpose of this examination, is defined as policies written for the first time by the Company during the experience period.

The primary purpose of the review was to measure compliance with The Casualty and Surety Rate Regulatory Act, Section 4(a) and (h) (40 P.S. §1184(a), (h)), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time. Files were also reviewed to determine compliance with all provisions of the Motor Vehicle Financial Responsibility Law (75 Pa. C.S. §§1701 – 1799.7) and Act 68, Section 2005(c) (40 P.S. §991.2005(c)), which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance, or as a result of any other factors.

The Company uses an automated system to process and issue personal automobile policies. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

Private Passenger Automobile Rating – New Business Without Surcharges

From the universe of 15,177 private passenger automobile policies identified as new business without surcharges by the Company, 100 files were selected for review. All 100 files requested were received and reviewed. The 23,557 violations noted were based on the universe size of 15,177 New Business Without Surcharges, resulting in an error ratio of 100%.

The following findings were noted:

15,177 Violations 75 Pa. C.S. §1725

Requires that every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company failed to provide the required notice indicating whether the policy covers collision damage to rental vehicles in boldface capital letters on the first page of the policy for the 15,177 policies noted.

The following concern was noted:

CONCERN: The Company was increasing the rate from telematics scoring on applicable policies prior to the 12-month anniversary date (the renewal). Based on discussions with the Company, it was agreed upon that the Company will implement procedures so that the rate can only be increased within the first 60 days and/or at the 12-month anniversary date. Rate increases due to telematics will not be allowed to occur mid-term. The Company will be informing the insureds of this practice in their revised

itemized invoice.

Private Passenger Automobile Rating – New Business With Surcharges

From the universe of 4,150 private passenger automobile policies identified as new business with surcharges by the Company, 50 files were selected for review. All 50 files requested were received and reviewed. The 6,817 violations noted were based on 50 files, resulting in an error ratio of 100%.

The following findings were noted:

1 Violation 40 P.S. §323.3(a)

Requires every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The Company failed to retain a copy of the new business application for the file noted.

4,150 Violations 75 Pa. C.S. §1725

Requires that every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company failed to provide the required

notice indicating whether the policy covers collision damage to rental vehicles in boldface capital letters on the first page of the policy for the 4,150 policies noted.

4,150 Violations 75 Pa. C.S. §1799.3(d)

Requires notice to the insured that if an insurer makes a determination to impose a surcharge, rate penalty or driver record point assignment, the insurer shall inform the named insured of the determination and shall specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The Company failed to provide the amount of surcharges / rate penalties at the time of renewal for the 4,150 files noted.

The following concern was noted:

CONCERN: The Company was increasing the rate from telematics scoring on applicable policies prior to the 12-month anniversary date (the renewal). Based on discussions with the Company, it was agreed upon that the Company will implement procedures so that the rate can only be increased within the first 60 days and/or at the 12-month anniversary date. Rate increases due to telematics will not be allowed to occur mid-term. The Company will be informing the insureds of this practice in their revised itemized invoice.

2. Renewals

A renewal is any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The primary purpose of the review was to measure compliance with The Casualty and Surety Rate Regulatory Act, Section 4(a) and (h) (40 P.S. §1184(a), (h)), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time. Files were also reviewed to determine compliance with Act 68 of 1998, Section 2005(c) (40 P.S. §991.2005(c)), which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance, or as a result of any other factors.

The Company processes and issues personal automobile policies using an automated system. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

Private Passenger Automobile Rating – Renewals Without Surcharges

From the universe of 9,942 private passenger automobile policies identified as renewals without surcharges, 75 files were selected for review. All 75 files requested were received and reviewed. The 9,942 violations noted were based on the universe of 9,942 Renewals Without Surcharges, resulting in an error ratio of 100%.

The following findings were noted:

9,942 Violations 75 Pa. C.S. §1725

Requires that every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company failed to provide the required notice indicating whether the policy covers collision damage to rental vehicles in boldface capital letters on the first page of the policy for the 9,942 policies noted.

Private Passenger Automobile Rating – Renewals With Surcharges

From the universe of 2,098 private passenger automobile policies identified as renewals with surcharges, 40 files were selected for review. All 40 files requested were received and reviewed. The 4,196 violations noted were based on the universe of 2,098 Renewals With Surcharges, resulting in an error ratio of 100%.

The following findings were noted:

2,098 Violations 75 Pa. C.S. §1725

Requires that every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company failed to provide the required notice indicating whether the policy covers collision damage to rental vehicles in boldface capital letters on the first page of the policy for the 2,098 policies noted.

2,098 Violations 75 Pa. C.S. §1799.3(d)

Requires notice to the insured that if an insurer makes a determination to impose a surcharge, rate penalty or driver record point assignment, the insurer shall inform the named insured of the determination and shall specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The Company failed to provide the amount of surcharges / rate penalties at the time of renewal for the 2,098 files noted.

VI. CLAIMS

The Company was requested to provide copies of all established written claim handling procedures utilized during the experience period. Written claim handling procedures were received and reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

The Claims review consisted of the following areas of review:

- A. Automobile Property Damage Claims
- B. Automobile Comprehensive Claims
- C. Automobile Collision Claims
- D. Automobile Total Loss Claims
- E. Automobile First Party Medical Claims
- F. Automobile First Party Medical Claims Referred to a PRO

The primary purpose of the review was to determine compliance with 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices. The files were also reviewed to determine compliance with Act 205, Section 4 (40 P.S. §1171.4) and Section 5(a)(10)(vi) of the Unfair Insurance Practices Act (40 P.S. §1171.5(a)(10)(vi)).

A. Automobile Property Damage Claims

From the universe of 2,938 private passenger automobile property damage claims reported during the experience period, 75 files were selected for review. All 75 files selected were received and reviewed. The one violation noted was based on one file, resulting in an error ratio of 1%.

The following finding was noted:

1 Violation 31 Pa. Code §62.3

An appraisal shall meet all applicable standards per statute.

The Company failed to provide an appraisal that meets all applicable standards per statute for the claim file noted.

B. Automobile Comprehensive Claims

From the universe of 1,434 private passenger automobile comprehensive claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. No violations were noted but the following concern was found.

CONCERN: In twenty-seven files reviewed, the Company did not issue the insured a written notice indicating it was closing the file without payment. The Company should, in all cases of claims closed without payment, issue a written notice to the insured indicating the file is being closed with no payment.

C. Automobile Collision Claims

From the universe of 2,345 private passenger automobile collision claims reported during the experience period, 75 files were selected for review. All 75 files selected were received and reviewed. The one violation noted was based on one file, resulting in an error ratio of 1%.

The following finding was noted:

1 Violation 31 Pa. Code §146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot be reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a

decision on the claim may be expected. The Company did not provide timely status letters for the claim file noted.

D. Automobile Total Loss Claims

From the universe of 1,030 private passenger automobile total loss claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The four violations noted were based on four files, resulting in an error ratio of 8%.

The following finding was noted:

4 Violations 31 Pa. Code §62.3

An appraisal shall meet all applicable standards per statute.

The Company failed to provide an appraisal that meets all applicable standards per statute for the four claim files noted.

E. Automobile First Party Medical Claims

From the universe of 1,018 private passenger automobile first party medical claims reported during the experience period, 50 claim files were selected for review. All 50 files requested were received and reviewed. The seven violations noted were based on six files, resulting in an error ratio of 12%.

The following findings were noted:

1 Violation 31 Pa. Code §69.52(b)

An insurer shall make a referral to a PRO within 90 days of the insurer's receipt of sufficient documentation supporting the bill.

An insurer shall pay bills for care that are not referred to a PRO within 30 days after the insurer receives sufficient documentation supporting the bill. If an insurer makes its referral after the 30th

day and on or before the 90th day, the provider's bill for care shall be paid. The Company failed to pay medical bills within 30 days for the claim file noted.

5 Violations 31 Pa Code §146.5(d)

Requires an insurer, upon receiving notification of a claim, shall provide within ten working days necessary claim forms, instructions and reasonable assistance so that first-party claimants can comply with policy conditions and reasonable requirements of the insurer. The Company did not provide the necessary claim forms to the claimant within ten working days for the five claim files noted.

1 Violation 75 Pa. C.S. §1716

Payment of Benefits. Benefits are overdue if not paid within 30 days after the insurer receives reasonable proof of the amount of benefits. If reasonable proof is not supplied as to all benefits, the portion supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer. Overdue benefits shall bear interest at the rate of 12% per annum from the date the benefits become due. In the event the insurer is found to have acted in an unreasonable manner in refusing to pay the benefits when due, the insurer shall pay, in addition to the benefits owed and the interest thereon, a reasonable attorney fee based upon actual time expended. The Company did not pay interest on the claim file that were not paid within 30 days on the claim file noted.

F. Automobile First Party Medical Claims Referred to a PRO

The universe of three automobile first party medical claims that were referred to a peer review organization by the Company was selected for review. The Company was also asked to provide a copy of all peer review contracts in place during the experience period. The four violations noted were based on two files, resulting in an error ratio of 67%.

The following findings were noted:

2 Violations 31 Pa. Code §69.52(a)

A provider's bill shall be referred to a PRO only when circumstances or conditions relating to medical and rehabilitative services provided caused a prudent person, familiar with PRO procedures, standards and practices, to believe it necessary that a PRO determine the reasonableness and necessity of care, the appropriateness of the setting where the care is rendered, and the appropriateness of the delivery of the care. An insurer shall notify a provider, in writing, when referring bills for PRO review at the time of the referral. The Company failed to notify the provider in writing, when referring bills to a Peer Review Organization for the two claim files noted.

1 Violation 31 Pa. Code §69.52(e)

A PRO shall provide a written analysis, including specific reasons for its decision, to insurers, which shall within 5 days of receipt, provide copies to providers and insureds. The Company failed to provide copies of the PRO report to providers and insureds within 5 days of receipt for the claim file noted.

1 Violation 31 Pa. Code §69.55(a) & 75 Pa. C.S. §1797(b)(1)

A Peer Review Organization shall contract, in writing, jointly or separately with an insurer for the provision of peer review services as authorized by Act 1990-6 and this chapter. Peer review plan for challenges to reasonableness and necessity of treatment. Peer review plan. Insurers shall contract jointly or separately with any peer review organization established for the purpose of evaluating treatment, health care services, products or accommodations provided to any injured person. Such evaluation shall be for the purpose of confirming that such treatment, products, services or accommodations conform to the professional standards of performance and are medically necessary. An insurer's challenge must be made to a PRO within 90 days of the insurer's receipt of the provider's bill for treatment or services or may be made at any time for continuing treatment or services. The Company failed to have the peer review organization approved by the Commissioner for the claim file noted.

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the preceding four years. The Company identified 47 consumer complaints received during the experience period and provided all consumer complaint logs requested. From the universe of 47 complaint files, 25 files were selected for review. All 25 files were received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, (40 P.S. §§1171.1 – 1171.5). Section 5(a)(11) of the Act (40 P.S. §1171.5(a)(11)), requires a company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. The individual complaint files were reviewed for the relevancy to applicable statutes and to verify compliance with 31 Pa. Code §146.5(b)(c). No violations were found but the following concern was noted.

CONCERN: In two of the 25 complaint files reviewed, the Department received an inquiry or a complaint from an insured and did not respond to the Department within 15 working days. The Company should respond to the Department's or inquiry or complaint within 15 working days.

The following synopsis reflects the nature of the 25 complaints that were received.

11	Cancellation/Nonrenewal	44%
3	Premiums/Rating	12%
8	Claims Related	32%
3	Customer Service	12%
25		100%

VIII. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives, or other forms of underwriting procedure communications for each line of business being reviewed.

Memos and underwriting rule guides were furnished for the Company. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

IX. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with the Insurance Company Law, Section 354 (40 P.S. §477b), Approval of Policies, Contracts, etc., Prohibiting the Use There of Unless Approved. During the experience period of the examination, Section 354 provided that it shall be unlawful for any insurance company to issue, sell, or dispose of any policy contract or certificate covering fire, marine, title and all forms of casualty insurance or use applications, riders, or endorsements in connection therewith, until the forms have been submitted to and formally approved by the Insurance Commissioner. All underwriting files were reviewed to verify compliance with 75 Pa. C.S. §1822, which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claims' forms, and all renewals of coverage and 18 Pa. C.S. §4117(k)(1), which requires all insurers to provide an insurance fraud notice on all applications for insurance and all claim forms. No violations were noted.

X. DATA INTEGRITY

As part of the examination, the Company was sent a preliminary examination packet in accordance with NAIC uniformity standards and provided specific information relative to the exam. The purpose of the packet was to provide certain basic examination information, identify preliminary requirements and to provide specific requirements for requested data call information. Once the Company provided all requested information and data contained within the data call, the Department reviewed and validated the data to ensure its accuracy and completeness to determine compliance with Insurance Department Act Section 903(a) [40 P.S. §323.3(a)]. No violations were noted.

XI. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other statutory or regulatory violations, noted in the Report.

1. The Company must review 31 Pa. Code §62.3 with its claims staff to ensure all appraisal requirements are met and that the violations noted in the Report do not occur in the future.
2. The Company must review 31 Pa. Code §69.52(a) with its claims staff to ensure that a written notification is sent to the provider when referring a bill for PRO review and that the violations noted in the Report do not occur in the future.
3. The Company must review 31 Pa. Code §69.52(b) with its claim staff to ensure that first party medical bills are paid within 30 days and that the violation noted in the Report does not occur in the future.
4. The Company must review 31 Pa. Code §69.52(e) with its claim staff to ensure that the insured is provided a copy of a PRO evaluation in a timely manner and that the violation noted in the Report does not occur in the future.
5. The Company must review 31 Pa. Code §69.55(a) and 75 Pa. C.S. §1797(b)(1) with its claim staff to ensure that a written contract is in place with an approved peer review organization established for the purpose of evaluating treatment, health care services, products or accommodations provided to any injured person. Such evaluation shall be for the purpose of confirming that such treatment, products, services, or accommodations conform to the professional standards of performance and are medically necessary.

6. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to providing necessary claim forms (application for benefits) and that the violations noted in the Report do not occur in the future.
7. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.3(a) and that the violation noted in the Report does not occur in the future.
8. The Company must review and revise internal control procedures to ensure compliance with declinations and cancellation notice requirements of 40 P.S. §991.2008(b) and that the violations noted in the Report do not occur in the future.
9. The Company must review 40 P.S. §1171.5(a)(8) & 40 P.S. §1184(a)&(h) and take appropriate measures to make sure coverage is not provided past the termination date without receiving payment and that the violations noted in the Report do not occur in the future.
10. The Company must review 75 Pa. C.S. §1716 with its claim staff to ensure that proper interest is paid on first party medical bills when the bills are not paid within 30 days of receipt and that the violation noted in the Report does not occur in the future.
11. The Company must review 75 Pa. C.S. §1725 to ensure that the required notice indicating whether the policy covers collision damage to rental vehicles is in boldface capital letters on the first page of the policy at the time of application and renewal and that the violations noted in the Report do not occur in the future.

12. The Company must review 75 Pa. C.S. §1799.3(d) to ensure that violations regarding the requirement to provide the amounts of surcharge / rate penalty at the time of application and every renewal thereafter and that the violations noted in the Report do not occur in the future.
13. The Company must implement the changes mentioned in the Concern noted in the Exam Report. Procedures must be implemented so that the rate can only be increased within the first 60 days and/or at the 12-month anniversary date. Rate increases from telematics will not be allowed to occur mid-term. The Company will be informing the insureds of this practice in their revised itemized invoice.

XII. COMPANY RESPONSE



Date: October 22, 2025

To: Paul Towsen, Chief of Market Conduct - P&C/Life & Annuity Division
Pennsylvania Insurance Department

From: Alex Pierce, Director of Compliance & Deputy General Counsel

Subject: Company Response and Corrective Action Plan
Market Conduct Examination Warrant Number: 23-M44-045
Root Insurance Company, NAIC #10974
Experience Period: January 1, 2023, to December 31, 2023

Thank you for providing Root Insurance Company (“Root” or the “Company”) the opportunity to acknowledge and respond to the Pennsylvania Insurance Department’s (“Department”) Property and Casualty Division’s Exam Report, received on September 22, 2025 (the “Report”). This response includes our (i) recommended revisions to various sections of the report and (ii) our corrective action plan regarding the Department’s findings and concerns listed in XI. RECOMMENDATIONS of the Report.

Recommended Revisions to the Report

The Company offers the following recommended revisions to the Report:

Revise “III. COMPANY HISTORY” as follows:

Root is an Ohio-domiciled, direct-to-consumer personal lines property and casualty insurance company, which is a wholly owned subsidiary of Caret Holdings, Inc., ~~formally~~ formerly known as Root, Inc., a Delaware holding company, and wholly owned by Root, Inc., ~~formally~~ formerly known as Root Stockholdings, Inc., a Delaware corporation. As of October 2020, Root, Inc. is a publicly traded entity, listed on NASDAQ under the ticker symbol ROOT. Root received approval to sell policies in the state of Pennsylvania in 2017 and sold ~~our~~ its first policies in November of that year.

Revise “III. LICENSING” as follows:

Root Insurance Company is licensed to transact private passenger automobile insurance business in the following ~~30~~ 38 states plus the District of Columbia: Alabama, Alaska, Arkansas, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Iowa, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, Missouri, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, and West Virginia.



Corrective Action Plan // Response to XI. RECOMMENDATIONS

The Company offers the following responses to the Department's XI. RECOMMENDATIONS, including describing the corrective actions that are contemplated:

1. The Company must review 31 Pa. Code §62.3 with its claims staff to ensure all appraisal requirements are met and that the violations noted in the Report do not occur in the future.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company has updated all appraiser licenses in its license administration tool and added a field to internal forms to include the license as appropriate.

2. The Company must review 31 Pa. Code §69.52(a) with its claims staff to ensure that a written notification is sent to the provider when referring a bill for PRO review and that the violations noted in the Report do not occur in the future.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company administered training on March 24, 2025, to address this finding.

3. The Company must review 31 Pa. Code §69.52(b) with its claim staff to ensure that first party medical bills are paid within 30 days and that the violation noted in the Report does not occur in the future.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company issued payment with applicable interest on May 23, 2024. In addition, the Company administered training on March 24, 2025.

4. The Company must review 31 Pa. Code §69.52(e) with its claim staff to ensure that the insured is provided a copy of a PRO evaluation in a timely manner and that the violation noted in the Report does not occur in the future.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company administered training on March 24, 2025, to address this finding.

5. The Company must review 31 Pa. Code §69.55(a) and 75 Pa. C.S. §1797(b)(1) with its claim staff to ensure that a written contract is in place with an approved peer review organization established for the purpose of evaluating treatment, health care services, products or accommodations provided to any injured person. Such evaluation shall be for the purpose of confirming that such treatment, products, services, or accommodations conform to the professional standards of performance and are medically necessary.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company has removed the involved peer review organization from its authorized Peer Review Organization list and will not send additional referrals unless and until approval is granted.

6. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement



Practices so that the violations relating to providing necessary claim forms (application for benefits) and that the violations noted in the Report do not occur in the future.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company administered training on March 24, 2025, to address this concern.

7. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.3(a) and that the violation noted in the Report does not occur in the future.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company has updated its policy administration systems to allow for the storage of the policy applications.

8. The Company must review and revise internal control procedures to ensure compliance with declinations and cancellation notice requirements of 40 P.S. §991.2008(b) and that the violations noted in the Report do not occur in the future.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company intends to send notices of declination in compliance with Pennsylvania law. The Company anticipates this functionality being in production by the end of calendar year 2025.

9. The Company must review 40 P.S. §1171.5(a)(8) & 40 P.S. §1184(a)&(h) and take appropriate measures to make sure coverage is not provided past the termination date without receiving payment and that the violations noted in the Report do not occur in the future.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company intends to send notices of cancellation in compliance with Pennsylvania law. The Company anticipates this functionality being in production by the end of calendar year 2025.

10. The Company must review 75 Pa. C.S. §1716 with its claim staff to ensure that proper interest is paid on first party medical bills when the bills are not paid within 30 days of receipt and that the violation noted in the Report does not occur in the future.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company issued payment with applicable interest on May 23, 2024. The Company administered training on March 24, 2025, to address this finding.

11. The Company must review 75 Pa. C.S. §1725 to ensure that the required notice indicating whether the policy covers collision damage to rental vehicles is in boldface capital letters on the first page of the policy at the time of application and renewal and that the violations noted in the Report do not occur in the future.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company intends to update its forms in compliance with Pennsylvania law.



The Company anticipates this functionality being in production by the end of calendar year 2025, though the Company must, prior to launching new forms, receive approval from the Department, which has not been received as of October 21, 2025.

12. The Company must review 75 Pa. C.S. §1799.3(d) to ensure that violations regarding the requirement to provide the amounts of surcharge / rate penalty at the time of application and every renewal thereafter and that the violations noted in the Report do not occur in the future.

Company Response: The Company acknowledges the Department's recommendation. As corrective action, the Company will update its forms in compliance with Pennsylvania law. The Company anticipates this functionality being in production by the end of calendar year 2025, though the Company must, prior to launching new forms, receive approval from the Department, which has not been received as of October 21, 2025.

13. The Company must implement the changes mentioned in the Concern noted in the Exam Report. Procedures must be implemented so that the rate can only be increased within the first 60 days and/or at the 12-month anniversary date. Rate increases from telematics will not be allowed to occur mid-term. The Company will be informing the insureds of this practice in their revised itemized invoice.

Company Response: The Company acknowledges the Department's recommendation, though we offer the following revisions to this concern to reflect that, (i) like item 6 above, it is a concern, not a finding, (ii) rate changes are permitted at any renewal, not only 12-month anniversary renewals, and (iii) "mid-term" is overly restrictive, as day 60 is mid-term but legally permitted:

The Company ~~must~~ should implement the changes mentioned in the Concern noted in the Exam Report. Procedures ~~must~~ should be implemented so that the rate can only be increased within the first 60 days and/or at ~~the 12-month anniversary~~ a policy renewal date. Rate increases from telematics will not be allowed to occur mid-term, after the expiration of the 60th day of the policy. The Company will be informing the insureds of this practice in their revised itemized invoice.

In addition, as corrective action, the Company will update the itemized invoice provided to insureds. The Company anticipates this functionality being in production by the end of calendar year 2025.

