



pennsylvania
INSURANCE DEPARTMENT

**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF


**VICTORIA FIRE & CASUALTY
COMPANY**
HIGHLAND HILLS, OH

As of: December 9, 2013
Issued: February 4, 2014

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

VERIFICATION

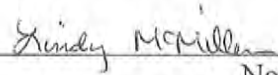
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



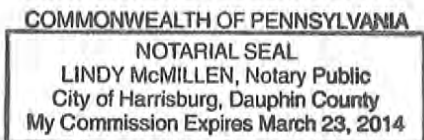
June A. Coleman, MCM, Examiner-In-Charge

Sworn to and Subscribed Before me

This 22nd Day of October, 2013



Notary Public



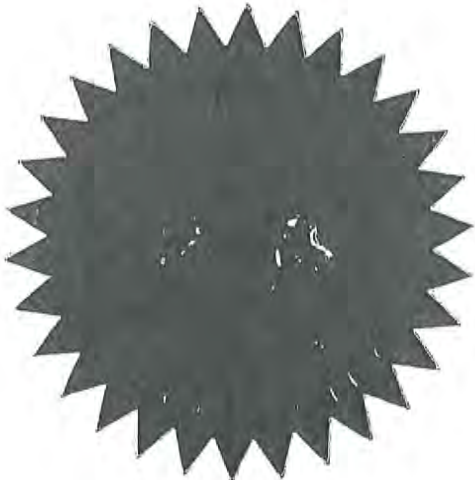
VICTORIA FIRE & CASUALTY COMPANY
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 27^m day of April, 2011, 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 Ronald A. Gallagher, 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 F. Consedine
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
VICTORIA FIRE & CASUALTY	:	Sections 904(b) of the Insurance
COMPANY	:	Department Act, Act of May 17, 1921,
One Nationwide Plaza, 1-35-102	:	P.L. 789, No. 285 (40 P.S. §323.4)
Columbus, OH 43215	:	
	:	Sections 2002(c)(3), 2004, 2006, 2006(2),
	:	2006(3) of Act 68 of 1998 (40 P.S. §§2002,
	:	2004 and 2006)
	:	
	:	Section 4 of the Act of June 11, 1947, P.L.
	:	538, No. 246 (40 P.S. §1184)
	:	
	:	Section 4 of the Unfair Insurance Practices
	:	Act, Act of July 22, 1974, P.L. 589, No.
	:	205 (40 P.S. §1171.4)
	:	
	:	Title 31, Pa. Code, Sections 67.33 and
	:	146.6
	:	
	:	Act 1990-6, Sections 1705(a)(4),
	:	1731(b)&(c), 1731(c)(1), 1734,
	:	1738(d)(1)&(2), 1791, 1791.1(a)&(b)&(c),
	:	1793(b), 1799.3(d) and 1822
	:	(Title 75 Pa. C.S. 1705, 1731, 1734, 1738,
	:	1791, 1793, 1799 and 1822)
	:	
	:	
Respondent.	:	Docket No. MC13-12-012

CONSENT ORDER

AND NOW, this *4th* day of *February*, 2014, 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.

3. Respondent neither admits nor denies the findings of fact and conclusions of law contained herein. Respondent denies violating any Pennsylvania law or regulation.

FINDINGS OF FACT

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

(a) Respondent is Victoria Fire & Casualty Company and maintains its address at One Nationwide Plaza, 1-35-103, Columbus, OH 43215.

(b) A market conduct examination of Respondent was conducted by the Insurance

Department covering the experience period from January 1, 2012 through December 31, 2012.

- (c) On December 9, 2013, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on January 8, 2014.
- (e) The Market Conduct Examination of Respondent revealed violations of the following:
 - (i) Section 904(b) of the Insurance Department Act (40 P.S. § 323.4), which requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined;
 - (ii) Section 2002(c)(3) of Act 68 of 1998 (40 P.S. § 991.2002), which requires that an insurer supply the insured with a written statement of the reason for cancellation;

- (iii) Section 2004 of Act 68 of 1998 (40 P.S. § 991.2004), which requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer;

- (iv) Section 2006 of Act 68 of 1998 (40 P.S. § 991.2006), which requires that cancellation by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the insured a written notice of the cancellation;

- (v) Section 2006(2) of Act 68 of 1998 (40 P.S. § 991.2006), which prohibits a cancellation or refusal to renew from being effective unless the insurer delivers or mails a written notice of the cancellation or refusal to renew, which will include the date, not less than 60 days after the date of mailing or delivery, on which the cancellation or refusal to renew shall become effective. When the policy is being cancelled or not renewed for reasons set forth in Sections 2004(1) and (2), however, the effective date may be 15 days from the date of mailing or delivery;

- (vi) Section 2006(3) of Act 68 of 1998 (40 P.S. § 991.2006), which requires an insurer to deliver or mail to the named insured a cancellation notice or refusal to renew and state the specific reason or reasons of the insurer;

- (vii) Section 4 of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184), 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 this Commonwealth and prohibits an insurer from making or issuing a contract or policy with rates other than those approved;

- (viii) Section 4 of Act 205 (40 P.S. § 1171.4), which prohibits any person to engage in this state in any trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to this act;

- (ix) Title 31, Pennsylvania Code, Section 67.33 which states when an insurer may assess a premium surcharge and when they may not;

- (x) Title 31, Pennsylvania Code, Section 146.6 states that if an investigation cannot 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;

- (xi) Act 1990-6, Section 8, Title 75, Pa. C.S. § 1705(a)&(4), which requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy may not be issued unless the applicant has been provided an opportunity to elect a tort option;

- (xii) Act 1990-6, Section 9, Title 75, Pa. C.S. § 1731(b)&(c), which requires the named insured to be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form;

- (xiii) Act 1990-6, Section 9, Title 75, Pa. C.S. § 1731(c)(1), which states on policies in which either uninsured or underinsured motorist coverage has been rejected, the policy renewals must contain notice in prominent type that the policy does not provide protection against damages caused by uninsured or underinsured motorists;

- (xiv) Act 1990-6, Section 11, Title 75, Pa. C.S. § 1734, which allows a named insured to request in writing the issuance of coverages under Section 1731 in amount equal to or less than the limits of liability for bodily injury;

(xv) Act 1990-6, Section 12, Title 75 Pa. C.S. § 1738(d)(1) and (2), which requires the named insured to be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms;

(xvi) Act 1990-6, Section 16, Title 75 Pa. C.S. § 1791, which states it shall be presumed that the insured has been advised of the benefits available under this chapter provided the notice is given to the insured at time of application;

(xvii) Act 1990-6, Section 17, Title 75 Pa. C.S. § 1791.1(a), which requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in conjunction with

the declaration of coverage limits and premiums for the insured's existing coverages;

(xviii) Act 1990-6, Section 17, Title 75, Pa. C.S. § 1791.1(b), which requires an insurer to provide an insured with a notice of the availability of two alternatives of full tort insurance and limited tort insurance;

(xix) Act 1990-6, Section 17, Title 75, Pa. C.S. § 1791.1(c), which requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2;

(xx) Title 75, Pa. C.S. § 1793(b), which requires the insurer to provide to the insured a surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and shall deliver the plan to each insured at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage;

(xxi) Act 1990-6, Section 19, Title 75, Pa. C.S. § 1799.3(d), which requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the named insured of the determination and 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;

- (xxii) Title 75, Pa. C.S. § 1822, which requires not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a statement that clearly states, in substance, the following: Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing any false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000.00.

CONCLUSIONS OF LAW

5. 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) Respondent's violations of Sections 2002(c)(3), 2004, 2006, 2006(2) and 2006(3) of Act 68 of 1998 are punishable by the following, under Section 2013 of the Act

(40 P.S. §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 five thousand dollars (\$5,000.00).

(c) Respondent's violations of Section 4 of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184) is punishable under Section 16 of the Casualty and Surety Rate Regulatory Act:

(i) imposition of a civil penalty not to exceed \$50 for each violation or not more than \$500 for each such wilful violation;

(ii) suspension of the license of any insurer which fails to comply with an Order of the Commissioner within the time limited by such Order, or any extension thereof which the Commissioner may grant.

(d) Respondent's violations of Section 4 of the Unfair Insurance Practices Act, No. 205 (40 P.S. §§ 1171.4) 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.

- (e) In addition to any penalties imposed by the Commissioner for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1-1171.5), the Commissioner may, under Sections 10 and 11 of the Unfair Insurance Practices Act (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).
- (f) Respondent's violations of Title 31, Pennsylvania Code, Section 146.6 is punishable 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.

(g) In addition to any penalties imposed by the Commissioner for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Commissioner may, under Sections 10 and 11 of the Unfair Insurance Practices Act (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

6. 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 comply with all recommendations contained in the attached Report.
- (c) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (d) To determine Respondent's compliance with the full and timely implementation of all recommendations ("Recommendations") in the Examination Report, Respondent shall perform a self-audit of all issues addressed in the "Recommendations" section of the 2014 Victoria Fire & Casualty Company Market Conduct Examination Report. The self-audit shall be performed based on the following: The experience period will be from April 1, 2014 through March 31, 2015. The self-audit shall commence on July 1, 2015 and the results of the self-examination shall be provided in writing to the Pennsylvania Insurance Department on or before October 1, 2015.
- (e) The self-audit report shall indicate the universe, sample size and method used to select the sample for each section noted in the Examination Report. The results should indicate the number of exceptions (violations) noted for each section.

- (f) Following the completion of the self-audit, the Pennsylvania Insurance Department reserves the right to validate the accuracy of the self-audit report and/or call a targeted market conduct re-examination to determine compliance with the recommendations from the examination report, the scope of which shall not include the period 6 months after the effective date of the Consent Order.

- (g) Respondent shall pay Three Hundred Fifty Thousand Dollars (\$350,000.00) which includes reimbursement to the Pennsylvania Insurance Department in settlement of all violations contained in the Report.

- (h) Payment of this matter shall be made by check payable to the Pennsylvania Insurance Department. Payment should be directed to Cherie L. Leese, Administrative Officer, 1311 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

7. 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.

8. 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.

9. 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.

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

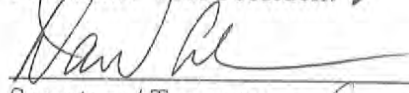
11. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

12. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee 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 delegee.

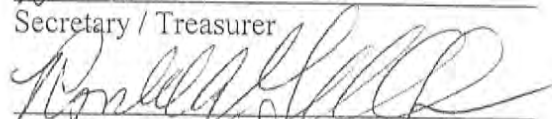
BY: VICTORIA FIRE & CASUALTY COMPANY,
Respondent



President / Vice President



Secretary / Treasurer



RONALD A. GALLAGHER, JR.
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The market conduct examination was conducted at the office of Victoria Fire & Casualty Company located in Columbus, Ohio, from March 18, 2013 through May 23, 2013. Subsequent review and follow-up was conducted at the office of the Pennsylvania Insurance Department and an off-site location.

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.

Constance L. Arnold, MCM
Market Conduct Division Chief

June A. Coleman, MCM
Market Conduct Examiner
INS Regulatory Insurance Services

Lisa Crump, CIE, AMCM, ACS, ALHC, AIAA, FLMI, CPIW
Market Conduct Examiner
INS Regulatory Insurance Services

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Victoria Fire & Casualty Company, hereinafter referred to as "Company," at its office located in Columbus, Ohio. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of January 1, 2012, through December 31, 2012, 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:

1. Private Passenger Automobile
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations and rescissions.
 - Rating – Proper use of all classification and rating plans and procedures.
2. Complaints
3. Forms
4. Data Integrity
5. MCAS Reporting

III. COMPANY HISTORY AND LICENSING

Victoria Fire & Casualty Company was incorporated under the laws of Ohio on July 11, 1983 as a stock company and commenced business on August 9, 1983. Nationwide Mutual Insurance acquired THI Holdings, Inc., which owns Victoria Fire and Casualty Company on August 1, 2003. The Company is ultimately owned by Nationwide Mutual Insurance Company.

LICENSING

Victoria Fire & Casualty Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2013. The Company is licensed in all states except: Alaska, Delaware, Hawaii, Louisiana, Maine, Michigan, New Hampshire, New Jersey, Rhode Island and Vermont. The Company's 2012 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$34,450,975. Premium volume related to the areas of this review were: Private Passenger Automobile Direct Written Premium was reported as Private Passenger Auto No-Fault (personal injury protection) \$4,835,209; Other Private Passenger Auto Liability \$19,349,164 and Private Passenger Auto Physical Damage \$9,599,484.

IV. UNDERWRITING

A. Private Passenger Automobile

1. 60-Day Cancellations

A 60-day cancellation is considered to be 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(b)(3) [40 P.S. §991.2002(b)(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 5,849 private passenger automobile policies which were cancelled during the first 60 days of issue, 225 files were selected for review. All 225 files requested were received and reviewed. Of the 225 files that were reviewed, 194 files were identified as 60-day cancellations, 24 files were identified as rescissions and 7 files were identified as midterm cancellations. The 3,413 files with 3,431 violations noted were based on the universe of 5,849, resulting in an error ratio of 58%.

The following findings were made:

42 Violations Act 68, Section 2002(c)(3) [40 P.S. §991.2002(c)(3)]

Adjudications: Tampa v. State Farm (P91-06-01, 1991)

Gorba v. Allstate (P92-02-92, 1993)

Requires that an insurer supply the insured with a written

statement of the reason for cancellation. The 42 files noted were policies cancelled within the first 60 days of new business inception date and did not contain evidence of the required 15 days' notice. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Act 68, Section 2002(c)(3).

6 Violations Act 68, Section 2006(2) [40 P.S. §991.2006(2)]

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. The six files noted resulted in cancellation notices that did not provide the required number of days' notice from the date of mailing. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Act 68, Section 2006(2).

2 Violations Insurance Department Act, Section 904(b) [40 P.S. §323.4]

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The two files noted resulted in the files not

containing documentation to verify the cancellation of the policies.

2,877 Violations Act 246, The Casualty and Surety Rate Regulatory Act, Section 4 [40 P.S. §1184]

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 provided the number of policies affected. The 2,877 files noted resulted in the Company not filing the method of processing all insured requested cancellations as a short rate calculation or unearned pro-rate premium X .90 within the Company's policy forms and the rate & rule manuals. This resulted in overcharges of \$161,686.39.

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 10,465 private passenger automobile policies which were cancelled midterm during the experience period, 200 files were selected for review. All 200 files requested were received and reviewed. Of the 200 files that were reviewed, 168 files were identified as midterm cancellations, 8 files were identified as non-renewals and 24 files were identified as 60-day cancellations. Of the 200 files reviewed, the Company did not capture the reinstatement date of 65 files when those policies lapsed and were reinstated with a lapse. The 112 violations noted were based on 112 files, resulting in an error ratio of 56%.

The following findings were made:

5 Violations Act 68, Section 2002(c)(3) [40 P.S. §991.2002(c)(3)]

Adjudications: Tampa v. State Farm (P91-06-01, 1991)

Gorba v. Allstate (P92-02-92, 1993)

Requires that an insurer supply the insured with a written statement of the reason for cancellation. The five files noted were policies cancelled within the first 60 days of new business inception date and did not contain evidence of the required 15 days' notice. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Act 68, Section 2002(c)(3).

18 Violations Act 68, Section 2006 [40 P.S. §991.2006]

Requires that cancellation by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the insured a written notice of the cancellation. The 18 files noted did not contain any evidence

that a cancellation notice was sent to the insured. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Act 68, Section 2006.

89 Violations Act 68, Section 2006(2) [40 P.S. §991.2006(2)]

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. The 89 files noted resulted in cancellation notices that did not provide the required number of days' notice from the date of mailing. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Act 68, Section 2006(2).

3. 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 156 private passenger automobile policies which were non-renewed during the experience period, 60 files were selected for review. All 60 files requested were received and reviewed. Of the 60 files that were reviewed, 48 files were identified as non-renewals and 12 files were identified as midterm cancellations. Of the 60 files reviewed, the Company did not capture the reinstatement date of 6 files when those policies lapsed and were reinstated with a lapse. The 34 violations noted were based on 34 files, resulting in an error ratio of 57%.

The following findings were made:

13 Violations Act 68, Section 2006(3) [40 P.S. §991.2006(3)]

Requires an insurer to deliver or mail to the named insured a non-renewal notice and state the specific reason or reasons of the insurer for the refusal to renew. The 13 files noted resulted in non-renewal notices being issued without a specific reason for the refusal to renew. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Act 68, Section 2006(3).

17 Violations Act 68, Section 2006(2) [40 P.S. §991.2006(2)]

Requires an insurer to deliver or mail to the named insured a nonrenewal notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which the non-renewal shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. The 17 files contained non-renewal

notices that did not provide the required number of days' notice from the date of mailing. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Act 68, Section 2006(2).

4 Violations Act 68, Section 2004 [40 P.S. §991.2004]

Requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer. The four files noted were cancelled for other than permitted reasons. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Act 68, Section 2004.

4. Rescissions

A rescission is any policy, which was void *ab initio*.

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 determined compliance with the rescission requirements established by the Supreme Court of Pennsylvania in *Erie Insurance Exchange v. Lake*.

The universe of 28 private passenger automobile policies that were identified by the Company as rescissions during the experience period was selected for review. All 28 files requested were received and reviewed. The violation resulted in an error ratio of 4%.

The following finding was made:

1 Violation Insurance Department Act, Section 904(b) [40 P.S. §323.4]

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. There was no evidence of a rescission letter in the file noted.

The following concern was noted:

CONCERN: It is a concern that the Company states in several of its rescission letters that "Victoria Fire & Casualty Co. is cancelling your insurance policy from inception, effective immediately." The Company needs to state in a rescission letter that the insurance policy has been rescinded. The Company should not use the term "cancelled" in a rescission letter.

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 Act 246, Sections 4(a) and (h) [40 P.S. §1184], 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 Act 6 of 1990 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. Once the computer programming had been verified, only the input data needed to be verified. 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.

Automobile Rating – New Business without Surcharges

From the universe of 17,429 personal automobile policies identified as new business without surcharges by the Company, 100 files were selected for review. All 100 policy files requested were received and reviewed. The 2,997 files with 12,797 violations noted were based on the universe of 17,429, resulting in an error ratio of 17%.

The following findings were made:

1,960 Violations Title 75, Pa. C.S. §1793(b)

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The Company provided the number of policies affected. The 1,960 files were the result of the Company not providing the insured with a copy of a surcharge disclosure plan at the time of application for phone sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1793(b).

2,997 Violations Title 75, Pa. C.S. §1791

Requires the Company to advise the insured of the benefits and limits available under this Chapter in bold

print of at least ten-point type at the time of application for original coverage. The Company provided the number of policies affected. The 2,997 files were the result of the Company not providing the required wording at the time of application for phone and internet sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1791.

1,960 Violations Title 75, Pa. C.S. §1791.1(a)

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured's existing coverages. The Company provided the number of policies affected. The 1,960 files were the result of the

Company not providing the insured with an itemized invoice at the time of application for phone sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1791.1(a).

1,960 Violations Title 75, Pa. C.S. §1791.1(b)

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The Company provided the number of policies affected. The 1,960 files were the result of the Company not providing the notice of tort options to the insured at the time of application for phone sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1791.1(b).

1,960 Violations Title 75, Pa. C.S. §1791.1(c)

Requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2. The Company provided the number of policies affected. The 1,960 files were the result of the Company not providing the premium discounts to the insured at the time of application for phone sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of

Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1791.1(c).

1,960 Violations Title 75, Pa. C.S. §1822

Requires an insurer to provide on all applications for insurance, renewals and claim forms a statement that clearly states: "Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000." The Company provided the number of policies affected. The 1,960 files were the result of the Company not providing the fraud warning to the insured at the time of application for phone sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1822.

The following concern was noted:

CONCERN: The Company provided the notice as to whether the policy covers collision damage to rental vehicles on the declaration page. The print on the notice is capitalized. It is a concern that the print is not boldfaced. The Company needs to provide the notice printed on the declaration page in boldface capital letters.

Auto Rating – New Business with Surcharges

From the universe of 7,824 private passenger automobile policies written as new business with surcharges during the experience period, 100 files were selected for review. All 100 files selected were received and reviewed. The 14,402 violations noted were based on the universe of 7,824 files, resulting in an error ratio of 100%.

The following findings were made:

1,031 Violations Title 75, Pa. C.S. §1793(b)

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The Company provided the number of policies affected. The 1,031 files were the result of the Company not providing the insured with a copy of a surcharge disclosure plan at the time of application for phone sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1793(b).

1,423 Violations Title 75, Pa. C.S. §1791

Requires the Company to advise the insured of the benefits and limits available under this Chapter in bold

print of at least ten-point type at the time of application for original coverage. The Company provided the number of policies affected. The 1,423 files were the result of the Company not providing the required wording at the time of application for phone and internet sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1791.

1,031 Violations Title 75, Pa. C.S. §1791.1(a)

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured's existing coverages. The Company provided the number of policies affected. The 1,031 files were the result of the

Company not providing the insured with an itemized invoice at the time of application for phone sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1791.1(a).

1,031 Violations Title 75, Pa. C.S. §1791.1(b)

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The Company provided the number of policies affected. The 1,031 files were the result of the Company not providing the notice of tort options to the insured at the time of application for phone sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1791.1(b).

1,031 Violations Title 75, Pa. C.S. §1791.1(c)

Requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2. The Company provided the number of policies affected. The 1,031 files were the result of the Company not providing the premium discounts to the insured at the time of application for phone sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of

Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1791.1(c).

1,031 Violations Title 75, Pa. C.S. §1822

Requires an insurer to provide on all applications for insurance, renewals and claim forms a statement that clearly states: "Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000." The Company provided the number of policies affected. The 1,031 files were the result of the Company not providing the fraud warning to the insured at the time of application for phone sales. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1822.

7,824 Violations Title 75, Pa. C.S. §1799.3(d)

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and 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 7,824 files noted were the result of the Company not clearly identifying the manner in

which the surcharge assignment was made. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1799.3(d).

14 Violations Title 75, Pa. C.S. §1705(a)(4)

Insurance Department Act, Section 904(b) [40 P.S. §323.4]

Requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy may not be issued unless the applicant has been provided an opportunity to elect a tort option. The 14 files noted were the result of a policy issued with limited tort and no evidence of a signed limited tort selection form. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1705(a)(4).

1 Violation Title 75, Pa. C.S. §1734

Insurance Department Act, Section 904(b) [40 P.S. §323.4]

A named insured may request in writing the issuance of coverages under Section 1731 (relating to availability, scope and amount of coverage) in an amount equal to or less than the limits of liability for bodily injury. The file noted did not contain a written request for lower limits of liability. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1734.

*2 Violations Insurance Department Act, Section 904(b) [40 P.S. §323.4]
Title 75, Pa. C.S. §1738(c)(d)(1)&(2)*

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The two files noted did not contain the signed rejection form of stacked limits for uninsured and underinsured motorist coverage. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1738(c)(d)(1)&(2).

*2 Violations Title 75, Pa. C.S. §1731(b)&(c)
Insurance Department Act, Section 904(b) [40 P.S. §323.4]*

The named insured shall be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form. The two files noted were the result of the policy being issued without uninsured and underinsured motorist coverage and no evidence of a signed written rejection form in the file. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1731(b)&(c).

The following concern was noted:

CONCERN: The Company provided the notice as to whether the policy covers collision damage to rental vehicles on the declaration page. The print on the notice is capitalized. It is a concern that the print is not

boldfaced. The Company needs to provide the notice printed on the declaration page in boldface capital letters.

2. Renewals

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

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) [40 P.S. §1184], 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, 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. Once the computer programming had been verified, only the input data needed to be verified. 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 – Renewals without Surcharges

From the universe of 8,956 personal automobile policies identified as renewals without surcharges, 50 files were selected for review. All 50 policy files requested were received and reviewed. The violation resulted in an error ratio of 2%.

The following finding was made:

1 Violation Title 75, Pa. C.S. §1731(c)(1)

On policies in which either uninsured or underinsured motorist coverage has been rejected, the policy renewals must contain notice in prominent type that the policy does not provide protection against damages caused by uninsured or underinsured motorists. The file noted contained a policy renewal that did not reflect the prominent notice as required. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1731(c)(1).

The following concerns were noted:

CONCERN: The Company provided the notice as to whether the policy covers collision damage to rental vehicles on the declaration page. The print on the notice is capitalized. It is a concern that the print is not boldfaced. The Company needs to provide the notice printed on the declaration page in boldface capital letters.

CONCERN: The Company provided a surcharge disclosure plan form to the insureds separately from the renewal packet. The surcharge disclosure plan

provides important information that is relevant to the renewal premium and should be included in the annual policy renewal packet.

Private Passenger Automobile – Renewals with Surcharges

From the universe of 2,045 personal automobile policies identified as renewals with surcharges, 100 files were selected for review. All 100 policy files requested were received and reviewed. The 2,051 violations were based on the universe of 2,045 files, resulting in an error ratio of 100%.

The following findings were made:

4 Violations Title 75, Pa. C.S. §1731(b)&(c)

Insurance Department Act, Section 904(b) [40 P.S. §323.4]

The named insured shall be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form. The four files noted were the result of the policy being issued without uninsured and underinsured motorist coverage and no evidence of a signed written rejection form in the file. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1731(b)&(c).

2 Violations Act 246, The Casualty and Surety Rate Regulatory Act, Section 4 [40 P.S. §1184]

Title 31, Pa. Code, Section 67.33

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 two (2) files noted were improperly surcharged for violations listed as “other reasons” with no change in premium.

2,045 Violations Title 75, Pa. C.S. §1799.3(d)

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and 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 2,045 files noted were the result of the Company not clearly identifying the manner in which the surcharge assignment was made. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Title 75, Pa. C.S. §1799.3(d).

The following concerns were noted:

CONCERN: The Company provided the notice as to whether the policy covers collision damage to rental vehicles on the declaration page. The print on the notice is capitalized. It is a concern that the print is not boldfaced. The Company needs to provide the notice printed on the declaration page in boldface capital letters.

CONCERN: The Company provided a surcharge disclosure plan form to the insureds separately from the renewal packet. The surcharge disclosure plan provides important information that is relevant to the renewal premium and should be included in the annual policy renewal packet.

VI. 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 130 consumer complaints received during the experience period and provided all consumer complaint logs requested. From the universe of 130 complaint files, 75 files were selected for review. All 75 files were received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5(a)(11) of the Act 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 following findings were made:

2 Violations Act 68, Section 2006(2) [40 P.S. §991.2006(2)]

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. The two files noted resulted in cancellation notices that did not provide the required number of days' notice from the date of mailing. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct

Examination also found that the Company violated Act 68, Section 2006(2).

9 Violations Act 68, Section 2002(c)(3) [40 P.S. §991.2002(c)(3)]

Adjudications: Tampa v. State Farm (P91-06-01, 1991)

Gorba v. Allstate (P92-02-92, 1993)

Requires that an insurer supply the insured with a written statement of the reason for cancellation. Of the nine files noted, eight files were cancelled within the first 60 days of new business inception date and did not contain evidence of the required 15 days' notice. The remaining file was the result of the file not containing a cancellation notice. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Act 68, Section 2002(c)(3).

2 Violations Act 68, Section 2006 [40 P.S. §991.2006]

Requires that cancellation by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the insured a written notice of the cancellation. The two files noted did not contain any evidence that a cancellation notice was sent to the insured. It is noted that the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination also found that the Company violated Act 68, Section 2006.

1 Violation Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot 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 noted.

*7 Violations Act 246, The Casualty and Surety Rate Regulatory Act,
Section 4 [40 P.S. §1184]*

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 seven violations noted resulted in the Company not filing the method of processing all insured requested cancellations as a short rate calculation or unearned pro-rate premium X .90 within the Company's policy forms and the rate & rule manuals. These resulted in overcharges of \$585.37. This amount was included in the overcharges listed in the 60-day cancellation section of this Report.

*1 Violation Act 205, Section 4 [40 P.S. §1171. 4]
Act 246, The Casualty and Surety Rate Regulatory Act,
Section 4 [40 P.S. §1184]*

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Prohibited. Prohibits any trade practice which is defined or determined to be an unfair method of competition or unfair or deceptive act or practice in the business of insurance. The file noted was the result of the company appointed producer charging an additional fee above the filed and approved premium. The Company provided the policyholder with a refund of \$60.

The following concern was noted:

CONCERN: In three (3) of the 75 complaint files reviewed, the Company received an inquiry or a complaint from an insured and did not respond at all or did not respond to the insured within 10 working days. The Company should respond to an insured's complaint or inquiry within 10 working days.

The following synopsis reflects the nature of the 75 complaints that were received.

44	Cancellation/Nonrenewal	59%
2	Declinations/Rescissions	3%
13	Claims Related	17%
7	Agency Conduct	9%
9	Miscellaneous	12%
<hr/>		<hr/>
75		100%

VII. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with Insurance Company Law, Section 354 [40 P.S. §477b], Approval of Policies, Contracts, etc., Prohibiting the Use Thereof 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 also reviewed to verify compliance with Act 165 of 1994 [18, Pa. C.S. §4117(k)(1)] and Title 75, Pa. C.S. §1822 which require all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage.

The following concerns were noted:

CONCERN: For an insured who has selected limited tort, the Company listed the tort alternative as an endorsement number in the forms section of the declaration page. For an insured who has selected full tort, the full tort alternative is not displayed on the declaration page. The Company should clearly state on the declaration page the tort alternative that an insured has selected so that the insured is aware that the chosen alternative is being provided.

CONCERN: The Company provided a surcharge disclosure plan form to the insureds that was titled as “PENNSYLVANIA SURCHARGE DISCLOSURE STATEMENT (PA88GESURD0711)”. A surcharge disclosure statement is

different than a surcharge disclosure plan. The Company should properly title the form as a surcharge disclosure plan.

VIII. 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 904(b) [40 P.S. §904(b)]. Subsequently, the examiners discovered during the on-site review of underwriting files and material that the Company had provided the Department with substantially inaccurate and incomplete universe for midterm cancellations, non-renewals and 60-day cancellations.

The inaccuracy of each area of review is identified below.

Midterm Cancellations

Situation: As the examiner was reviewing the midterm cancellation data sent by the Company as part of the data call, it was difficult to determine if the list was accurate. It appeared that many of the policies were rewritten. It could not be determined if the Company had captured the reinstatement date to ensure that the files were midterm cancellations and not 60 day cancellation. The Company verified that the effective dates and inception dates were accurate on the midterm cancellation list. As the examiners reviewed the midterm cancellation files of the underwriting section of the exam, it was noted that not all the 200 files selected for review were midterm cancellation files.

Outcome: Of the 200 midterm cancellation files reviewed, the Company did not capture the reinstatement date of 65 files when those policies lapsed and were reinstated with a lapse. Of the 200 files that were reviewed, 168 files were identified as midterm cancellations, 8 files were identified as non-renewals and 24 files were identified as 60-day cancellations.

Nonrenewals

Situation: As the examiners reviewed the nonrenewal files of the underwriting section of the exam, it was noted that not all the 60 files selected for review were nonrenewals.

Outcome: Of the 60 nonrenewal files that were reviewed, 52 files were identified as nonrenewals and 8 files were identified as midterm cancellations. Of the 60 files reviewed, the Company did not capture the reinstatement date of 6 files when those policies lapsed and were reinstated with a lapse.

60-Day Cancellations

Situation: As the examiner reviewed the Company's response to the 60-day cancellation initial summary, the examiner noted that the Company provided documentation that identified that 24 files were rescinded.

Outcome: Of the 225 60-day cancellation files that were selected to be reviewed, 11 percent of the files (24 files) were identified as rescissions.

The following finding was made:

General Violation: Insurance Department Act, Section 904(b) [40 P.S. §323.4]

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The violation resulted in the failure to exercise sufficient due diligence to ensure compliance with Insurance Department Act.

IX. MCAS REPORTING

The Market Conduct Annual Statement (MCAS) is a mandatory, annual filing that collects consumer related data on a State specific, industry-wide basis. Filings are currently required for life & annuity and property & casualty companies. The process of filing the MCAS began in 2002. The goal was to develop a process that collected uniform market conduct related data from across the industry. The MCAS provides market conduct regulators with information not otherwise available for their market analysis initiatives.

The NAIC plays an integral role in the MCAS filing process. The NAIC's Market Procedures (D) Working Group is responsible for the content of MCAS, defining the data that is collected, and promoting uniform analysis by applying consistent measurements and comparisons of MCAS data provided by companies. All companies that must submit data are required to do so in an on-line tool designed and supported by the NAIC. The scores developed for the MCAS play a key role in the broader market analysis performed in which the states determine if further scrutiny of a company is needed. Examples of types of scrutiny a company may receive include: exams, investigations, interviews, face-to-face meetings, etc.

We obtained process documentation from the Company which outlines the general steps used to report MCAS data below:

The MCAS Coordinator in the Market Conduct Group is responsible for submitting all MCAS data. The MCAS Coordinator works with IT, Statistical Reporting, and the various business units to collect and validate the data prior to submission. The following steps occur to ensure the most accurate data is collected:

1. MCAS data elements and definitions are reviewed

2. Statistical Reporting/IT collect data
3. Business unit contacts are identified
4. Interrogatory responses are collected from the business unit contacts
5. Data is delivered to Statistical Reporting and validated
6. Data is sent to the business unit for further validation
7. Data is uploaded and submitted to the MCAS tool on-line
8. Company ratio and scorecard results are collected and compiled

The computer systems from which data is extracted to generate the MCAS reports include the ViperJ policy administration system, and the JClaims system. ViperJ is the policy administration system for the private passenger auto line of business. To report MCAS data, the data warehouse transactional tables are used which are fed data from ViperJ. JClaims is the system used to document all aspects of the claims process for the private passenger auto line of business. To report MCAS data, the JClaims transaction tables are used.

To ensure the accuracy, completeness and validity of the data used for MCAS reporting, the examiners conducted interviews with key personnel, requested and reviewed key application controls for ViperJ and Jclaims, and reviewed internal and external audit reports from the testing of key controls. No relevant deficiencies were noted through the review of application controls. Specific application control testing over the source systems included:

Source Data Preparation and Authorization

Ensure that source documents are prepared by authorized and qualified personnel following established procedures, taking into account adequate segregation of duties regarding the origination and approval of these documents. Minimize errors and omissions through good input form design. Detect errors and irregularities so they can be reported and corrected.

Source Data Collection and Entry

Ensure that data input is performed in a timely manner by authorized and qualified staff. Correction and resubmission of data that were erroneously input should be performed without compromising original transaction authorization levels.

Accuracy, Completeness and Authenticity Checks

Ensure that transactions are accurate, complete and valid. Validate data that were input, and edit or send back for correction as close to the point of origination as possible.

Processing Integrity and Validity

Maintain the integrity and validity of data throughout the processing cycle. Ensure that detection of erroneous transactions does not disrupt processing of valid transactions.

Output Review, Reconciliation and Error Handling

Establish procedures and associated responsibilities to ensure that output is handled in an authorized manner, delivered to the appropriate recipient and protected during transmission; that verification, detection and correction of the accuracy of output occurs; and that information provided in the output is used.

Transaction Authentication and Integrity

Before passing transaction data between internal applications and business/operational functions (in or outside the enterprise), check it for proper addressing, authenticity of origin and integrity of content. Maintain authenticity and integrity during transmission or transport.

To ensure the validity and accuracy of the data reported to the NAIC for 2011 and 2012, the examiners obtained and validated the reported MCAS data at each stage of the Company's reporting process. The data from Statistical Reporting was compared to the data provided to and validated by the business unit contacts.

In performing our review of the MCAS process, we noted the following potential weakness:

Reported Claims MCAS Data

The NAIC Data Call & Definitions instructions for reporting MCAS data instruct companies to exclude an event reported for "information only" and an inquiry of coverage if a claim has not actually been presented (opened) for payment.

Insurance Department examiners noted during market analysis that the Company's claims closed without payment to total closed ratio was 52.12% while the PA Statewide average is 25.73%.

During the course of the exam, the examiners received information revealing that the ratio was inflated due to the Company including information only claims data in their MCAS submission.

X. 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 and revise internal control procedures to ensure compliance with cancellation and nonrenewal notice requirements of Act 68, Sections 2002, 2004 and 2006 [40 P.S. §§991.2002, 2004 and 2006], so that the violations noted in the Report do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Act 68, Sections 2002, 2004 and 2006 [40 P.S. §§991.2002, 2004 and 2006] within 90 days of the Report issue date.
2. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with Insurance Department Act, Section 904(b) [40 P.S. §323.4], so that violations noted in the Report do not occur in the future.
3. The Company must review Title 75, Pa. C.S. 1793(b) to ensure that violations regarding the requirement to provide the insured with a surcharge disclosure plan at the time of application, as noted in the Report, do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance of the requirements of Title 75, Pa. C.S. 1793(b) within 90 days of the Report issue date.

4. The Company must review Title 75, Pa. C.S. §1791 violations to ensure that the notice of available benefits is given to the insured at the time of application as noted in the Report. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. 1791 within 90 days of the Report issue date.
5. The Company must review Title 75, Pa. C.S. §1791.1(a) and (b) violations to ensure that an itemized invoice listing minimum coverages and tort options are provided at the time of application as noted in the Report and do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance of the requirements of Title 75, Pa. C.S. §1791.1(a) and (b) within 90 days of the Report issue date.
6. The Company must review Title 75, Pa. C.S. §1791.1(c) to ensure that violations regarding the requirement to provide notice to insureds stating that discounts are available for drivers, as noted in the Report and do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. §1791.1(c) within 90 days of the Report issue date.
7. The Company must review Title 75, Pa. C.S. §1822 to ensure that violations regarding the requirement of a fraud warning, as noted in the Report and do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination.

The Company must be in compliance with the requirements of Title 75, Pa. C.S. §1822 within 90 days of the Report issue date.

8. When a surcharge is imposed on a private passenger automobile policy the Company must specify the manner in which the surcharge was made and clearly identify the amount of the surcharge and give notice to the insured. This is to ensure that violations noted under Title 75, Pa. C.S. §1799.3(d) do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. §1799.3(d) within 90 days of the Report issue date.
9. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option and that signed tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. §1705(a)(4) and Insurance Department Act, Section 904(b) [40 P.S. §323.4] do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. §1705(a)(4) within 90 days of the Report issue date.
10. The Company must review Title 75, Pa. C.S. §1734 and Insurance Department Act, Section 904(b) [40 P.S. §323.4] to ensure that the insured signs a request for lower limits of liability for uninsured and underinsured motorist coverage and a copy kept in files as noted in the Report. The violation referenced was noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in

compliance with the requirements of Title 75, Pa. C.S. §1734 within 90 days of the Report issue date.

11. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to exercise the waiver for uninsured and underinsured motorist coverage forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. §1731(b) & (c) and Insurance Department Act, Section 904(b) [40 P.S. §323.4] do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. §1731(b) & (c) within 90 days of the Report issue date.
12. The Company must review Title 75, Pa. C.S. §1738(d)(1)&(2) and Insurance Department Act, Section 904(b) [40 P.S. §323.4] to ensure that the first named insured is aware that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms and a copy kept in files, so that violations noted in the Report do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. §1738(d)(1)&(2) within 90 days of the Report issue date.
13. On policies in which either uninsured or underinsured coverage has been rejected, the policy renewal must contain notice in prominent type that the policy does not provide protection against damages caused by uninsured or underinsured motorists. This is to ensure that the violation noted under Title 75, Pa. C.S. §1731(c)(1) does not occur in the future. The violation

referenced was noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. §1731(c)(1) within 90 days of the Report issue date.

14. The premium overcharges noted in this report must be refunded to the insureds and proof of such refunds must be provided to the Insurance Department within 30 days of the report issue date.
15. The Company must review Act 246, Section 4(a) and (h) [40 P.S. §1184] and Title 31, Pa. Code, Section 67.33 and take appropriate measures to ensure the rating violations listed in the report do not occur in the future.
16. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices so that the violation relating to providing acknowledgements and status letters, as noted in the Report does not occur in the future.
17. The Company should review and adhere to its agency compliance procedures and guidelines to ensure that producers do not charge additional fees above the filed and approved premium. Producers act as representatives of an insurer, and the Company is responsible for the actions of all appointed producers. The Company must be in compliance with the requirements of Act 205, Section 4 [40 P.S. §1171.4] and Act 246, Section 4(a) and (h) [40 P.S. §1184], so that the violation as noted in the Report does not occur in the future.

18. The Company must ensure that information only and an inquiry of coverage if a claim has not actually been presented, be excluded from future MCAS filings.

XI. COMPANY RESPONSE



Cheryl L. Davis, AMCM, ACS, AIRC
Senior Compliance Director

January 8, 2014

Ms. Constance Arnold
Property & Casualty Division Chief
Office of Market Regulation
Pennsylvania Insurance Department
1227 Strawberry Square
Harrisburg, PA 17120

RE: Victoria Fire & Casualty Company Report Response

Ms. Arnold:

Please find enclosed Victoria Fire & Casualty Company's response to the Report of Examination as of December 9, 2013. A copy of this response has been submitted via email and also mailed hard copy to your attention.

If you have any questions or concerns, please feel free to contact me by email at davisc60@nationwide.com or via telephone at (614) 249-4580.

Sincerely,

A handwritten signature in cursive script that reads "Cheryl L. Davis".

Cheryl L. Davis
Senior Compliance Director

COMPANY RESPONSE TO EXAM REPORT SECTION X. RECOMMENDATIONS
January 8, 2014

1. The Company must review and revise internal control procedures to ensure compliance with cancellation and nonrenewal notice requirements of Act 68, Sections 2002, 2004 and 2006 [40 P. S. § §991.2002, 2004 and 2006], so that the violations noted in the Report do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Act 68, Sections 2002, 2004 and 2006 [40 P.S. §§991.2002, 2004 and 2006] within 90 days of the Report issue date.

COMPANY RESPONSE: The Company has initiated a project to send a written confirmation of termination to the customer when the insured requests termination at any point in the policy term. This project will be implemented in February 2014.

Training will be conducted in January 2014 to ensure nonrenewal notices are issued only at the annual policy anniversary.

2. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with Insurance Department Act, Section 904(b) [40 P.S. §323.4], so that violations noted in the Report do not occur in the future.

COMPANY RESPONSE: The Company will reinforce proper procedures through training of our customer service and underwriting personnel by January 17, 2014.

3. The Company must review Title 75, Pa. C.S. 1793(b) to ensure that violations regarding the requirement to provide the insured with a surcharge disclosure plan at the time of application, as noted in the Report, do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance of the requirements of Title 75, Pa. C.S. 1793(b) within 90 days of the Report issue date.

COMPANY RESPONSE: For the Company's Direct Sales, as of August 1, 2013, the Company has implemented safeguards to ensure compliance with §1793(b) through: (1) additional employee training of the requirement to provide and acknowledge receipt of the Surcharge Disclosure Plan pre-bind; (2) clarifying internal business process documents for employees to follow to ensure compliance; and (3) monthly internal auditing and coaching for compliance.

4. The Company must review Title 75, Pa. C.S. § 1791 violations to ensure that the notice of available benefits is given to the insured at the time of application as noted in the Report. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of

Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. 1791 within 90 days of the Report issue date.

COMPANY RESPONSE: For the Company's Direct Sales, as of August 1, 2013, the Company has implemented safeguards to ensure compliance with §1791 through: (1) additional employee training of the requirement to provide and acknowledge receipt of the Notice of Available Benefits and Limits pre-bind; (2) clarifying internal business process documents for employees to follow to ensure compliance; and (3) monthly internal auditing and coaching for compliance.

5. The Company must review Title 75, Pa. C.S. § 1791.1(a) and (b) violations to ensure that an itemized invoice listing minimum coverages and tort options are provided at the time of application as noted in the Report and do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The company must be in compliance of the requirements of Title 75, Pa. C.S. §1791.1(a) and (b) within 90 days of the Report issue date.

COMPANY RESPONSE: For the Company's Direct Sales, as of August 1, 2013, the Company has implemented safeguards to ensure compliance with §1791.1(a) and (b) through: (1) additional employee training of the requirement to provide and acknowledge receipt of the Notice of Tort Options pre-bind; (2) clarifying internal business process documents for employees to follow to ensure compliance; and (3) monthly internal auditing and coaching for compliance.

6. The Company must review Title 75, Pa. C.S. §1791.1(c) to ensure that violations regarding the requirement to provide notice to insureds stating that discounts are available for drivers, as noted in the Report and do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. § 1791.1 (c) within 90 days of the Report issue date.

COMPANY RESPONSE: For the Company's Direct Sales, as of August 1, 2013, the Company has implemented safeguards to ensure compliance with §1791.1(c) through: (1) additional employee training of the requirement to provide and acknowledge receipt of the Notice of Premium Discounts pre-bind; (2) clarifying internal business process documents for employees to follow to ensure compliance; and (3) monthly internal auditing and coaching for compliance.

7. The Company must review Title 75, Pa. C.S. §1822 to ensure that violations regarding the requirement of a fraud warning, as noted in the Report and do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. §1822 within 90 days of the Report issue date.

COMPANY RESPONSE: For the Company's Direct Sales, as of August 1, 2013, the Company has implemented safeguards to ensure compliance with §1822 through: (1) additional employee training of the requirement to provide and acknowledge receipt of the Fraud Warning Notice pre-bind; (2) clarifying internal business process documents for employees to follow to ensure compliance; and (3) monthly internal auditing and coaching for compliance.

8. When a surcharge is imposed on a private passenger automobile policy the Company must specify the manner in which the surcharge was made and clearly identify the amount of the surcharge and give notice to the insured. This is to ensure that violations noted under Title 75, Pa. C.S. §1799.3(d) do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. §1799.3(d) within 90 days of the Report issue date.

COMPANY RESPONSE: The Company respectfully believes that the surcharge disclosure statement that it provides to its insureds is compliant with the statutory requirement. These statements are included in the packets sent to insureds at new business and renewals, which includes the declarations (premium notice). This allows the customer to match the surcharge disclosure statement against the declarations page to identify the impact on premium. Attached are samples from both new business and renewal policies.

9. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option and that signed tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. § 1705(a)(4) and Insurance Department Act, Section 904(b) [40 P.S. §323.4] do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. §1705(a)(4) within 90 days of the Report issue date.

COMPANY RESPONSE: The Company is drafting best practices regarding the retrieval of forms, including those maintained internally and those maintained in the agents' offices. These improved procedures will be implemented by March 1, 2014.

10. The Company must review Title 75, Pa. C.S. § 1734 and Insurance Department Act, Section 904(b) [40 P.S. §323.4] to ensure that the insured signs a request for lower limits of liability for uninsured and underinsured motorist coverage and a copy kept in files as noted in the Report. The violation referenced was noted in the April 20 11 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. § 1734 within 90 days of the Report issue date.

COMPANY RESPONSE: The Company is drafting best practices regarding the retrieval of forms, including those maintained internally and those maintained in the agents' offices. These improved procedures will be implemented by March 1, 2014.

11. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to exercise the waiver for uninsured and underinsured motorist coverage forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. § 1731(b) & (c) and Insurance Department Act, Section 904(b) [40 P.S. §323.4] do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. § 1731 (b) & (c) within 90 days of the Report issue date.

COMPANY RESPONSE: The Company is drafting best practices regarding the retrieval of forms, including those maintained internally and those maintained in the agents' offices. These improved procedures will be implemented by March 1, 2014.

12. The Company must review Title 75, Pa. C.S. § 1738(d)(1)&(2) and Insurance Department Act, Section 904(b) [40 P.S. §323.4] to ensure that the first named insured is aware that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms and a copy kept in files, so that violations noted in the Report do not occur in the future. The violations referenced were noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. §1738(d)(1)&(2) within 90 days of the Report issue date.

COMPANY RESPONSE: The Company is drafting best practices regarding the retrieval of forms, including those maintained internally and those maintained in the agents' offices. These improved procedures will be implemented by March 1, 2014.

13. On policies in which either uninsured or underinsured coverage has been rejected, the policy renewal must contain notice in prominent type that the policy does not provide protection against damages caused by uninsured or underinsured motorists. This is to ensure that the violation noted under Title 75, Pa. C.S. §1731(c)(1) does not occur in the future. The violation referenced was noted in the April 2011 Victoria Fire & Casualty Company Report of Market Conduct Examination. The Company must be in compliance with the requirements of Title 75, Pa. C.S. § 1731(c)(1) within 90 days of the Report issue date.

COMPANY RESPONSE: The Company will list notice that the policy does not provide protection against damages caused by underinsured motorists on the renewal when only uninsured coverage is purchased for renewals generated after March 10, 2014.

14. The premium overcharges noted in this report must be refunded to the insureds and proof of such refunds must be provided to the Insurance Department within 30 days of the report issue date.

COMPANY RESPONSE: Premium overcharges were refunded to insureds on November 21, 2013.

15. The Company must review Act 246, Section 4(a) and (h) [40 P.S. §1184] and Title 31, Pa. Code, Section 67.33 and take appropriate measures to ensure the rating violations listed in the report do not occur in the future.

COMPANY RESPONSE: "Other Reasons" was removed as an option from the rating violation descriptions as of March 2012.

16. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices so that the violation relating to providing acknowledgements and status letters, as noted in the Report does not occur in the future.

COMPANY RESPONSE: The Company shall provide a 30-day/45-day status letter to the insured when applicable. Training for claims associates regarding this matter will take place by January 31, 2014.

17. The Company should review and adhere to its agency compliance procedures and guidelines to ensure that producers do not charge additional fees above the filed and approved premium. Producers act as representatives of an insurer, and the Company is responsible for the actions of all appointed producers. The Company must be in compliance with the requirements of Act 205, Section 4 [40 P.S. §1171.4] and Act 246, Section 4(a) and (h) [40 P.S. § 1184], so that the violation as noted in the Report does not occur in the future.

COMPANY RESPONSE: The agent was reminded on January 7, 2014 to not charge fees above the filed and approved fees from the company. The customer was refunded all of the fees by the Company on October 18, 2013.

18. The Company must ensure that information only and an inquiry of coverage if a claim has not actually been presented, be excluded from future MCAS filings.

COMPANY RESPONSE: The Company understands the examiner's concerns that information only claims may inadvertently be included in our MCAS filing due to our current system constraints. However, Victoria Fire & Casualty Company does strive to handle every claim timely, completely, and in the manner requested by the claimant.

As indicated in the comments section of the Company's MCAS filing, VFCC is in the process of implementing a new claims platform. This is a multi-year process. As part of the design of this new claims system, the Company is adding enhancements that will allow us to better segment information only claims for the purposes of MCAS reporting.