

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

**HARTFORD INSURANCE COMPANY
OF THE MIDWEST**
Indianapolis, Indiana

**AS OF
July 8, 2008**

COMMONWEALTH OF PENNSYLVANIA

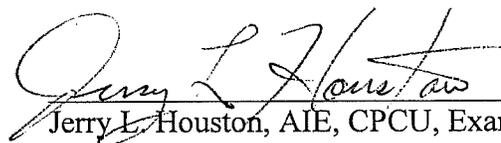


**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: September 4, 2008

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).


Jerry L. Houston, AIE, CPCU, Examiner-In-Charge

Sworn to and Subscribed Before me

This 30 Day of June, 2008


Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
THERESA M. SENECA, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires Aug. 15, 2010

HARTFORD INSURANCE COMPANY OF THE MIDWEST

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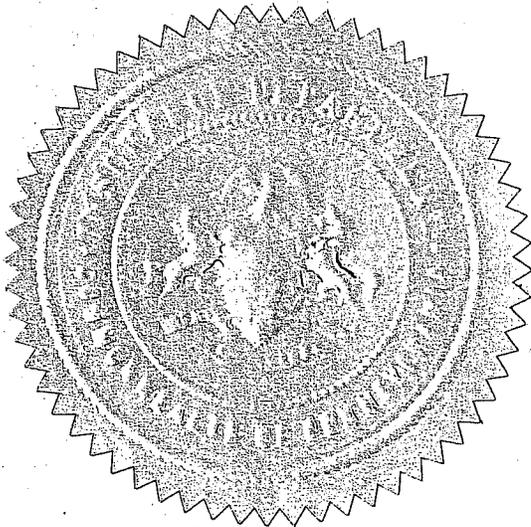
Order

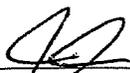
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 22ND day of July, 2008, 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.





Joel S. Ario
Insurance Commissioner

Hartford Insurance Company of the Midwest
Market Conduct Examination as of the
close of business on July 8, 2008

Docket No.
MC08-07-027

ORDER

A market conduct examination of Hartford Insurance Company of the Midwest (referred to herein as "Respondent") was conducted in accordance with Article IX of the Insurance Department Act, 40 P.S. § 323.1, et seq., for the period July 1, 2006 through June 30, 2007. The Market Conduct Examination Report disclosed exceptions to acceptable company operations and practices. Based on the documentation and information submitted by Respondent, the Department is satisfied that Respondent has taken corrective measures pursuant to the recommendations of the Examination Report.

It is hereby ordered as follows:

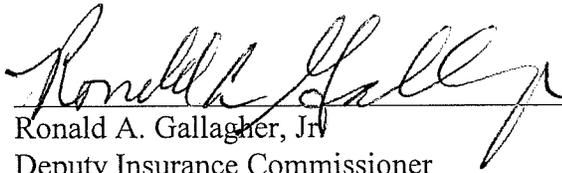
1. The attached Examination Report will be adopted and filed as an official record of this Department. All findings and conclusions resulting from the review of the Examination Report and related documents are contained in the attached Examination Report.
2. Respondent shall comply with Pennsylvania statutes and regulations.

3. Respondent shall comply with the recommendations contained in the attached Report.

4. 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.

The Department, pursuant to Section 905(e)(1) of the Insurance Department Act (40 P.S. § 323.5), will continue to hold the content of the Examination Report as private and confidential information for a period of thirty (30) days from the date of this Order.

BY: Insurance Department of the Commonwealth
of Pennsylvania

 (September 4, 2008)
Ronald A. Gallagher, Jr.
Deputy Insurance Commissioner

I. INTRODUCTION

The market conduct examination was conducted at Hartford Insurance Company of the Midwest's offices located in Southington, Connecticut and Hartford, Connecticut, from April 21, 2008, through May 9, 2008. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

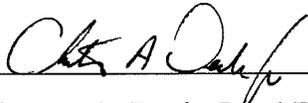
Pennsylvania Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was 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%.

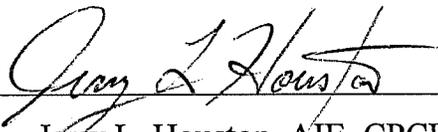
Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel 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.

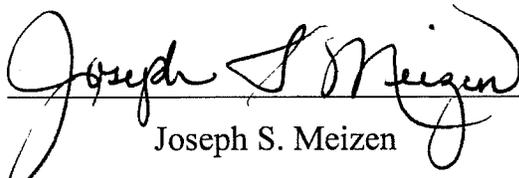
The undersigned participated in this examination and in preparation of this Report.



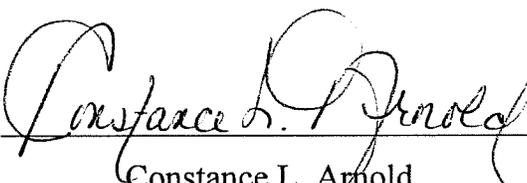
Chester A. Derk, Jr., AIE, HIA
Market Conduct Division Chief



Jerry L. Houston, AIE, CPCU
Market Conduct Examiner



Joseph S. Meizen
Market Conduct Examiner



Constance L. Arnold
Market Conduct Examiner

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Hartford Insurance Company of the Southeast, hereinafter referred to as “Company,” at their offices located in Southington, Connecticut and Hartford, Connecticut. 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 July 1, 2006, through June 30, 2007, 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 and midterm cancellations.

2. Property
 - Underwriting – Appropriate and timely notices of nonrenewal and midterm cancellations.

3. Commercial Property
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations and renewals.

4. Commercial Automobile
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations and renewals.

5. Workers' Compensation

- Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations and renewals.

6. Complaints

7. Licensing

III. COMPANY HISTORY AND LICENSING

Hartford Insurance Company of the Midwest was incorporated on September 11, 1979, under the laws of Indiana. It began business on January 1, 1980.

LICENSING

Hartford Insurance Company of the Midwest's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2008. The Company is licensed in all states and the District of Columbia. The Company's 2007 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$74,768,583. Premium volume related to the areas of this review were: Fire \$310,831; Homeowners Multiple Peril \$12,764,030; Commercial Multiple Peril (Non-liability portion) \$351,672; Commercial Multiple Peril (Liability portion) \$869,280; Inland Marine \$203,959; Workers' Compensation \$29,222,670; Private Passenger Automobile Direct Written Premium was reported as Private Passenger Auto No-Fault (personal injury protection) \$4,298,663; Other Private Passenger Auto Liability \$14,427,885 and Private Passenger Auto Physical Damage \$9,728,190; Commercial Automobile Direct Written Premium was reported as Commercial Auto No-Fault (personal injury protection) \$14,369; Other Commercial Auto Liability \$367,972 and Commercial Auto Physical Damage \$96,440.

IV. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed. Underwriting guides were furnished for private passenger automobile, homeowners and commercial lines. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

No violations were noted.

V. UNDERWRITING

A. Private Passenger Automobile

1. Midterm Cancellations

A midterm cancellation is any policy termination that occurs at any time other than the 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 3,283 private passenger automobile files identified as midterm cancellations by the Company, 31 files were selected for review. All 31 files were received and reviewed. The 7 violations noted were based on 7 files, resulting in an error ratio of 23%.

The following findings were made:

7 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 7 files noted were cancelled for other than permitted reasons.

2. 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.

The universe of 16 private passenger automobile files identified as nonrenewals by the Company was selected for review. All 16 files were received and reviewed. No violations were noted.

B. Property

1. Midterm Cancellations

A midterm cancellation is any policy termination that occurs at any time other than the twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the cancellation notice.

From the universe of 1,975 property policies which were cancelled midterm during the experience period, 40 files were selected for review. The property policies consisted of homeowners, tenant homeowners and owner occupied dwelling fire. All 40 files were received and reviewed. No violations were noted.

2. Nonrenewals

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

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the nonrenewal notice.

From the universe of 57 homeowner policies which were nonrenewed during the experience period, 20 files were selected for review. All 20 files were received and reviewed. The violation noted resulted in an error ratio of 5%.

The following finding was made:

1 Violation Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)]

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent

statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company failed to provide a written notice of nonrenewal for the file noted.

C. Commercial Property

1. Midterm Cancellations

A midterm cancellation is any policy termination that occurs at any time other than the twelve-month policy anniversary date.

The purpose of the review was to determine compliance with Act 86, Section 2 (40 P.S. §3402), which prohibits cancellation except for specified reasons and Section 3 (40 P.S. §3403), which establishes the requirements which must be met regarding the form and condition of the cancellation notice.

From the universe of 51 commercial property policies cancelled midterm during the experience period, 8 files were selected for review. The commercial property files consisted of commercial package, commercial inland marine and tenant occupied dwelling fire. All 8 files were received and reviewed. The 4 violations noted were based on 2 files, resulting in an error ratio of 25%.

The following findings were made:

2 Violations Act 86, Section 3(a)(3) [40 P.S. §3403(a)(3)]

Requires that a cancellation notice must be forwarded to the named insured or insureds at least 60 days in advance of the effective date of termination. The Company did not provide at least 60 days notice of cancellation for the 2 files noted.

2 Violations Act 86, Section 3(a)(6) [40 P.S. §3403(a)(6)]

Requires that a cancellation notice shall state that at the insured's request, the insurer shall provide loss information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less. The Company did not provide an offer of loss information on the notice as required for the 2 files noted.

2. 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 review was conducted to determine compliance with Act 86, Section 3 (40 P.S. §3403), which establishes the requirements that must be met regarding the form and condition of the nonrenewal notice.

The universe of 5 commercial property policies nonrenewed during the experience period was selected for review. The commercial property policies consisted of tenant occupied dwelling fire, commercial package and commercial business owner's package. All 5 files were received and

reviewed. The 2 violations noted were based on 2 files, resulting in an error ratio of 40%.

The following findings were made:

1 Violation Act 86, Section 3(a)(2) [40 P.S. §3403(a)(2)]

Requires that a nonrenewal notice be forwarded directly to the named insured or insureds at least 60 days in advance of the effective date of the termination. The Company did not provide at least 60 days notice of nonrenewal for the file noted.

1 Violation Act 86, Section 3(a)(6) [40 P.S. §3403(a)(6)]

Requires that a cancellation notice shall state that at the insured's request, the insurer shall provide loss information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less. The Company did not provide an offer of loss information on the notice as required.

3. 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 86, Section 1 (40 P.S. §3401), which requires 30 days advance notice of an increase in renewal premium.

From the universe of 271 commercial property policies renewed during the

experience period, 36 files were selected for review. The commercial property policies consisted of tenant occupied dwelling fire, commercial inland marine and commercial package. All 36 files were received and reviewed. The violation noted resulted in an error ratio of 3%.

The following finding was made:

1 Violation Act 86, Section 1 [40 P.S. §3401]

This section provides that notwithstanding any other provision of law, a policy of insurance covering commercial property or casualty risks in this Commonwealth shall provide for not less than 30 days advance notice to the named insured of an increase in renewal premium. This section does not apply to policies written on a retrospective rating plan. The Company did not provide at least 30 days advance notice to the named insured of an increase in renewal premium.

D. Commercial Automobile

1. Midterm Cancellations

A midterm cancellation is any policy termination that occurs at any time other than the twelve-month policy anniversary date.

The purpose of the review was to determine compliance with Act 86, Section 2 (40 P.S. §3402), which prohibits cancellation except for specified reasons and Section 3 (40 P.S. §3403), which establishes the requirements which must be met regarding the form and condition of the cancellation notice.

The universe of 8 commercial automobile policies cancelled midterm during the experience period was selected for review. All 8 files were received and reviewed. No violations were noted.

2. 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 review was conducted to determine compliance with Act 86, Section 3 (40 P.S. §3403), which establishes the requirements that must be met regarding the form and condition of the nonrenewal notice.

The universe of 1 commercial automobile policy nonrenewed during the experience period was selected for review. The file was received and reviewed. No violations were noted.

3. 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 86, Section 1 (40 P.S. §3401), which requires 30 days advance notice of an increase in renewal premium.

The universe of 17 commercial automobile policies renewed during the experience period was selected for review. All 17 files were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 18%.

The following findings were made:

3 Violations Act 86, Section 1 [40 P.S. §3401]

This section provides that notwithstanding any other provision of law, a policy of insurance covering commercial property or casualty risks in this Commonwealth shall provide for not less than 30 days advance notice to the named insured of an increase in renewal premium. This section does not apply to policies written on a retrospective rating plan. The Company did not provide at least 30 days advance notice to the named insured of an increase in renewal premium for the 3 files noted.

E. Workers' Compensation

1. Midterm Cancellations

A midterm cancellation is any policy termination that occurs at any time other than the twelve-month policy anniversary date.

The purpose of the review was to determine compliance with Insurance Company Law, Section 653 (40 P.S. §813), which prohibits midterm cancellation with exceptions for nonpayment of premium or by request of the insured.

From the universe of 125 workers' compensation policies cancelled midterm during the experience period, 20 files were selected for review. All 20 files were received and reviewed. No violations were noted.

2. 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 review was conducted to determine compliance with Act 86, Section 3 (40 P.S. §3403), which establishes the requirements that must be met regarding the form and condition of the nonrenewal notice.

The universe of 12 workers' compensation policies nonrenewed during the experience period was selected for review. All 12 files were received and reviewed. No violations were noted.

3. 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 86, Section 1 (40 P.S. §3401), which requires 30 days advance notice of an increase in renewal premium.

From the universe of 1,122 workers' compensation policies renewed during the experience period, 10 files were selected for review. All 10 files were received and reviewed. No violations were noted.

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 39 consumer complaints received during the experience period and provided all consumer complaint logs requested. Of the 39 complaints, 10 files were requested, 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 finding was made:

1 Violation 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 file noted was cancelled due to a total loss on the vehicle listed on the policy.

The following synopsis reflects the nature of the 10 complaints that were reviewed.

2	Cancellation/Nonrenewal	20%
5	Claims	50%
2	Premium/Rates	20%
1	Customer Relations	10%
<hr/>		<hr/>
10		100%

VII. LICENSING

In order to determine compliance by the Company and its agency force with the licensing requirements applicable to Section 641.1(a) [40 P.S. §310.41(a) and Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, the Company was requested to furnish a list of all active producers during the experience period and a listing of all producers terminated during the experience period. Underwriting files were checked to verify proper licensing and appointment.

The following findings were made:

*3 Violations Insurance Department Act, No. 147, Section 671-A
(40 P.S. §310.71)*

- (a) Representative of the insurer – An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.
- (b) Representative of the consumer – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:
 - (1) Delineates the services to be provided; and
 - (2) Provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.
- (c) Notification to Department – An insurer that appoints an insurance producer shall file with the Department a notice of appointment. The notice shall state for which companies within the

insurer's holding company system or group the appointment is made.

(d) Termination of appointment – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer's license is suspended, revoked or otherwise terminated.

(e) Appointment fee – An appointment fee of \$12.50 will be billed annually to the insurer for each producer appointed by the insurer during the preceding calendar year regardless of the length of time the producer held the appointment with the insurer. The appointment fee may be modified by regulation.

(f) Reporting – An insurer shall, upon request, certify to the Department the names of all licensees appointed by the insurer.

The following producers were found to be writing policies but were not found in Insurance Department records as having an appointment. The Company failed to file a notice of appointment and submit appointment fees to the Department.

Meadowbrook Insurance Group
Kling Brothers Insurance Agency
J. Krug and Associates

VIII. 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 notice requirements of Act 68, Section 2004 [40 P.S. §991.2004], so that the violations noted in the Report do not occur in the future.
2. The Company must review Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)] to ensure that violations regarding the requirements for cancellation notices, as noted in the Report, do not occur in the future.
3. The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation and nonrenewal requirements of Act 86, Section 3 [40 P.S. §3403], so that the violations noted in the Report do not occur in the future.
4. The Company must review Act 86, Section 1 [40 P.S. §3401], to ensure that violations regarding notification to the insured of an increase in premium do not occur in the future.
5. The Company must ensure all producers are properly appointed, as required by Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, prior to accepting any business from any producer.

IX. COMPANY RESPONSE



August 6, 2008

Kathleen Querfeld
Counsel
Law Department

Sent via Overnight Mail

Chester A. Derk, Jr., AIE, HIA
Market Conduct Division Chief
Pennsylvania Insurance Department
Bureau of Enforcement
1321 Strawberry Square
Harrisburg, PA 17120

Re.: Exam Warrant Number: 07-M19-062
Hartford Insurance Company of the Midwest

Dear Mr. Derk:

Hartford Insurance Company of the Midwest ("Hartford Midwest") has received your July 8, 2008 letter and Report of Examination ("Report"). We appreciate the opportunity to respond to the Examination.

This letter will serve as Hartford Midwest's response to the Report and recommendations contained on page 21. Where appropriate, our response will address exceptions noted in the Report that fall outside specific department recommendations.

- 1. The company must review and revise internal control procedures to ensure compliance with cancellation notice requirements of Act 68, Section 2004 [40 P.S. §991.2004], so that the violations noted in the Report do not occur in the future.**

The Company accepts the Department's Recommendation and has reviewed existing procedures to ensure compliance with 40 P.S. §991.2004. The Company has instituted a process to obtain the insured's request to terminate the automobile policy where there is only one vehicle on the policy and the totaled vehicle has not been replaced.

One Hartford Plaza, HO-1-09
Hartford, CT 06115
Telephone 860-547-9605
Facsimile 860-757-1347
kathleen.querfeld@thehartford.com

The Company has also reinforced the existing cancellation procedures to remind staff that coverage cannot be terminated when an individual other than the named insured has a license suspension.

- 2. The Company must review Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)] to ensure that violations regarding the requirements for cancellation notices, as noted in the Report, do not occur in the future.**

The Company accepts the Department's Recommendation and has reviewed existing procedures to ensure compliance with 40 P.S. §1171.5(a)(9). The Company's corrective action plan reminds staff to follow statutory requirements ensure that appropriate cancellation notices are issued in support of policy termination.

- 3. The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation and nonrenewal requirements of Act 86, Section 3 [40 P.S. §3403], so that the violations noted in the Report do not occur in the future.**

The Company accepts the Department's Recommendation and has reviewed existing procedures to ensure compliance with 40 P.S. §3403. The Company has reinforced the cancellation procedures to ensure that non-owner occupied dwelling fire policies provide sufficient notice and has updated the Oden Terminator system to prominently display the requisite 60 day time frame. Further, the Company has reminded staff to include an offer of loss information as required by 40 P.S. §3403.

- 4. The Company must review Act 86, Section 1 [40 P.S. §3401], to ensure that violations regarding notification to the insured of an increase in premium do not occur in the future.**

The Company accepts the Department's Recommendation and has reviewed existing procedures to ensure compliance with 40 P.S. §3401. These internal procedures continue to be in compliance with Pennsylvania law and field underwriting staff has been reminded of the requirement to provide thirty (30) days advance written notice of an increase in commercial lines premium in Pennsylvania.

- 5. The Company must ensure all producers are properly appointed, as required by Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, prior to accepting any business from any producer.**

The Company accepts the Department's Recommendation for the three instances where Company files did not reflect an actual appointment. The Company has made all necessary corrections to our appointment records. The Company has reviewed our internal procedures to ensure compliance with 40 P.S. §310.71. The

Company has recently introduced a process improvement that calls for an annual review to ensure that all producers are properly appointed in the appropriate writing companies.

We appreciate the courtesy extended by your staff throughout the examination process. We trust you will find our response satisfactory and look forward to working with you to conclude this examination. Please do not hesitate to contact me with any questions.

Sincerely,



Kathleen Querfeld