

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

MUTUAL BENEFIT INSURANCE COMPANY
Huntingdon, Pennsylvania

**AS OF
August 12, 2005**

COMMONWEALTH OF PENNSYLVANIA

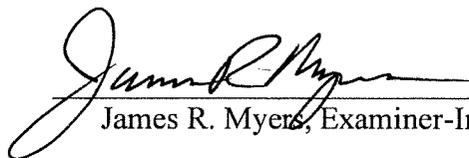


**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: September 21, 2005

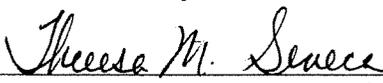
VERIFICATION

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).


James R. Myers, Examiner-In-Charge

Sworn to and Subscribed Before me

This 25 Day of July, 2005


Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
THERESA M. SENECA, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires Aug. 15, 2008

MUTUAL BENEFIT INSURANCE COMPANY

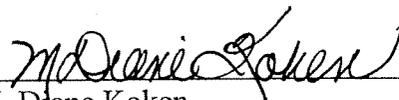
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 29 day of April, 2002, 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 Randolph L. Rohrbaugh, 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.



M. Diane Koken
Insurance Commissioner



BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	VIOLATIONS:
MUTUAL BENEFIT INSURANCE COMPANY	Act 1990-6, Sections 1716, 1744, 1791.1(a) and (b) and 1799.3(a) and (d)
409 Penn Street	(Title 75, Pa.C.S. §§ 1716, 1744, 1791 and 1799)
Huntingdon, PA 16652	Sections 5(a)(4), 5(a)(7)(iii), 5(a)(9), 5(a)(9)(ii), and 5(a)(10)(vi) of the Unfair Insurance Practices Act, Act of July 22, 1974, P.L. 589, No. 205 (40 P.S. §§ 1171.5)
	Sections 2003(a)(11), 2004 and 2008(b) of Act 68 of 1998 (40 P.S. §§991.2003, 991.2004 and 991.2008)
	Sections 2, 3(a)(2), 3(a)(3), 3(a)(3)(ii), 3(a)(5), 3(a)(6), 4(a) and 4(b) of the Act of July 3, 1986, P.L. 396, No. 86 (40 P.S. §§ 3402, 3403 and 3404)
	Sections 4(a) and 4(h) of the Act of June 11, 1947, P.L. 538, No. 246 (40 P.S. §§ 1184)
	Sections 12A(3),14B(f), 16A(2) of the Pennsylvania Assigned Risk Plan
	Title 18, Pennsylvania Consolidated Statutes, Section 4117(k)(1)
	Title 31, Pennsylvania Code, Sections 69.22(c), 69.52(b), 146.5(a), and 146.6
	Title 75, Pennsylvania Consolidated Statutes, Sections 1161(a) and (b)
Respondent.	Docket No. MC05-08-011

CONSENT ORDER

AND NOW, this 21st day of September, 2005, this Order is hereby issued by the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

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

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

FINDINGS OF FACT

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

- (a) Respondent is Mutual Benefit Insurance Company, and maintains its address at 409 Penn Street, Huntingdon, Pennsylvania 16652.

- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2003 through June 30, 2004.
- (c) On August 12, 2005, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on September 2, 2005.
- (e) The Examination Report notes violations of the following:
 - (i) Section 1716 of Act 1990-6, Title 75, Pa.C.S. §1716, which requires that benefits are overdue if not paid within 30 days after the insurer receives reasonable proof of the amount of benefits. If reasonable proof is not supplied as to all benefits, the portion supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer. Overdue benefits shall bear interest at the rate of 12% per annum from the date the benefits become due. In the event the insurer is found to have acted in an unreasonable manner in refusing to pay the benefits when due, the insurer shall pay, in addition to the benefits owed and the interest thereon, a reasonable attorney fee based upon actual time expended;

- (ii) Section 1744 of Act 1990-6, Title 75, Pa.C.S. § 1744, which requires cancellations, refusals to renew and other terminations of policies issued under the Assigned Risk Plan shall be in accordance with the rules of the plan;

- (iii) Section 1791.1(a) of Act 1990-6, Title 75, Pa.C.S. § 1791, 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;

- (iv) Section 1791.1(b) of Act 1990-6, Title 75, Pa.C.S. § 1791, which requires, in addition to the invoice required under subsection (a), an insured must, at the time of application for original coverage for private passenger motor

vehicle insurance and every renewal thereafter, provide to an insured the following notice of the availability of two alternatives of full tort insurance and limited tort insurance;

- (v) Section 1799.3(a) of Act 1990-6, Title 75, Pa.C.S. § 1799, which prohibits insurers from canceling or refusing to renew a policy or applying a surcharge, rate penalty or driver record point assignment where, during the preceding three-year period, the aggregate cost to the insurer for any person injured or property damaged is determined to be less than \$1,050 in excess of any self-insured retention or deductible applicable to the named insured;

- (vi) Section 1799.3(d) of Act 1990-6, Title 75, Pa.C.S. § 1799, 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;

- (vii) Section 5(a)(4) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.4), which states entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly

in, the business of insurance, is an unfair method of competition and unfair or deceptive act or practice;

(viii) Section 5(a)(7)(iii) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.5), which states unfair methods of competition means unfairly discriminating by means or making or permitting any unfair discrimination between individuals of the same class and essentially the same hazard with regard to underwriting standards and practices or eligibility requirements by reason of race, religion, nationality or ethnic group, age, sex, family size, occupation, place of residence or marital status;

(ix) Section 5(a)(9) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.5), which prohibits cancellation of 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 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;

- (x) Section 5(a)(9)(ii) of Act 205 (40 P.S. § 1171.5), which requires that a cancellation notice shall state the date, not less than thirty days after the date of delivery or mailing on which such cancellation or refusal to renew shall become effective;

- (xi) Section 5(a)(10)(vi) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.5), which states any of the following acts, if committed or performed with such frequency as to indicate a business practice, shall constitute unfair claim settlement or compromise practices: Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which the company's liability has become reasonably clear;

- (xii) Section 2003(a)(11) of Act 68 of 1998 (40 P.S. § 991.2003), which prohibits an insurer from canceling or refusing to write or renew a policy of automobile insurance for the following reason: The refusal of another insurer to write or the cancellation or refusal to renew an existing policy by another insurer;

- (xiii) Section 2004 of Act 68 of 1998 (40 P.S. § 991.2006), 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;

(xiv) Section 2008(b) of Act 68 of 1998 (40 P.S. § 991.2008), which requires any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Commissioner that he review the action of the insurer in refusing to write a policy for the applicant;

(xv) Section 2 of Act 86 (40 P.S. § 3402), which states that canceling in midterm a policy of insurance covering commercial property and casualty risks is prohibited for any reason other than those enumerated under this section;

(xvi) Section 3(a)(2) of Act 86 (40 P.S. § 3403), which 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;

(xvii) Section 3(a)(3) of Act 86 (40 P.S. § 3403), which 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;

- (xviii) Section 3(a)(3)(ii) of Act 86 (40 P.S. § 3403), which requires that a midterm cancellation notice shall be forwarded directly to the named insured or insureds at least 60 days in advance of the effective date of termination unless one or more of the following exist: The insured has failed to pay a premium when due, whether the premium is payable directly to the company or its agents or indirectly under a premium finance plan or extension of credit, in which case, the prescribed written notice of cancellation shall be forwarded directly to the named insured at least 15 days in advance of the effective date of termination;
- (xix) Section 3(a)(5) of Act 86 (40 P.S. § 3403), which requires that a nonrenewal notice shall state the specific reasons for nonrenewal. The reasons shall identify the condition, factor or loss experience which caused the nonrenewal, and the notice shall provide sufficient information or data for the insured to correct the deficiency;
- (xx) Section 3(a)(6) of Act 86 (40 P.S. § 3403), which requires that a nonrenewal notice shall state that at the insured's request, the insurer 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;

- (xxi) Sections 4(a) and 4(b) of Act 86 (40 P.S. §§ 3404), which requires:
- (a) unearned premium must be returned to the insured not later than 10 days after the effective date of termination where commercial property or casualty risks are cancelled by the insurer, and (b) unearned premium must be returned to the insured not later than 30 days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insured;
- (xxii) Sections 4(a) and 4(h) 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;
- (xxiii) Section 12A(3) of the Pennsylvania Assigned Risk Plan Rules, which states the assigned company shall mail a take-out notice to each insured eligible for take-out and the producer of record at least 45 days, but no more than 60 days, prior to expiration of the Plan policy to be replaced;
- (xxiv) Section 14B(f) of the Pennsylvania Assigned Risk Plan Rules, which states a company which has issued a policy or binder under this Plan shall have the right to cancel the insurance by giving notice as required in the policy

or binder if the insured fails to respond to at least two written requests for pertinent underwriting information, which would have a direct bearing on the rating of the policy;

(xxv) Section 16A(2) of the Pennsylvania Assigned Risk Plan Rules, which states renewal premium quotations will be made as stipulated in the Plan rules 30 days prior to the renewal effective date;

(xxvi) Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), which requires all applications for insurance and all claim forms shall contain or have attached thereto the following notice: “Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.”

(xxvii) Title 31, Pennsylvania Code, Section 69.22(c), which requires the insurer, when an insured’s first-party limits have been exhausted, to provide notice to the provider and the insured within 30 days of the receipt of the provider’s bill;

- (xxviii) Title 31, Pennsylvania Code, Section 69.52(b), which requires an insurer to pay medical bills for care that are not referred to a Peer Review Organization within 30 days after the insurer receives sufficient documentation supporting the bill;
- (xxix) Title 31, Pennsylvania Code, Section 146.5(a), which requires that every insurer, upon receiving notification of a claim, shall within 10 working days, acknowledge receipt of the notice unless payment is made within the period of time. If an acknowledgment is made by means other than writing, an appropriate notation of the acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice;
- (xxx) Title 31, Pennsylvania Code, Section 146.6, requires that 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;

(xxxi) Title 75, Pennsylvania Consolidated Statutes, Section 1161(a) and (b), which states:

(a) Except as provided in sections 1162 and 1163, a person who owns or possesses or transfers a vehicle located or registered in this Commonwealth which qualifies as a salvage vehicle shall make application to the Department for a certificate of salvage for that vehicle, and

(b) An owner who transfers a vehicle to be destroyed or dismantled, salvaged or recycled shall assign the certificate of title to the person to whom the vehicle is transferred. Except as provided in section 1163, the transferee shall immediately present the assigned certificate of title to the Department or an authorized agent of the Department with an application for a certificate of salvage upon a form furnished and prescribed by the Department. An insurer as defined in section 1702 to which title to a vehicle is assigned upon payment to the insured or claimant of the replacement value of a vehicle shall be regarded as a transferee under this subsection. If an owner retains possession of a vehicle which is damaged to the extent that it qualifies for vehicle replacement payment, the owner shall apply for a certificate of salvage immediately. In this case, an insurer shall not pay vehicle replacement value until the owner produces evidence to the insurer that the certificate of salvage has been issued.

CONCLUSIONS OF LAW

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

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.

- (b) Respondent's violations of Sections 5(a)(4), 5(a)(7), 5(a)(9) and 5(a)(10) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.5) 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.

- (c) 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).
- (d) Respondent's violations of Sections 2003, 2004 and 2008 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).
- (e) Respondent's violations of Sections 2, 3 and 4 of Act 86 (40 P.S. §§ 3401, 3402, 3403 and 3404), are punishable under Section 8 (40 P.S. § 3408) of this act by one or more of the following causes of action:
- (i) Order that the insurer cease and desist from the violation.
 - (ii) Impose a fine or not more than \$5,000 for each violation.

(f) Respondent's violations of Sections 4(a) and (h) of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184) are 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.

(g) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.5 and 146.6 are punishable under Sections 9, 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.9, 1171.10 and 1171.11), as stated above.

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Deputy Insurance Commissioner 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 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.

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

- (d) Respondent shall pay Thirty Thousand Dollars (\$30,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.

- (e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Harbert, Administrative Assistant, Bureau of Enforcement, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

6. In the event the Deputy Insurance Commissioner 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 Deputy Insurance Commissioner 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 Deputy Insurance Commissioner may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

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

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

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

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

11. This Order shall be final upon execution by the Deputy Insurance Commissioner. Only the Insurance Commissioner or a duly authorized Deputy

Insurance Commissioner 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 Deputy Insurance Commissioner.

BY: MUTUAL BENEFIT INSURANCE
COMPANY, Respondent

James L. Bookhimer, III.
President / Vice President R + D.

Joseph Sloan Treasurer
Secretary / Treasurer

Randolph L. Rohrbaugh
RANDOLPH L. ROHRBAUGH
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The market conduct examination was conducted at Mutual Benefit Insurance Company's office located in Huntingdon, Pennsylvania, from March 30, 2005, through May 4, 2005. 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%.

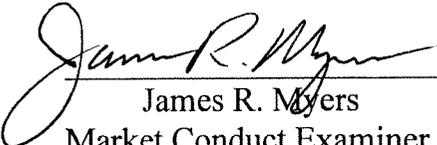
Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel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

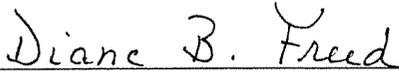
The undersigned participated in this examination and in preparation of this Report.



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



James R. Myers
Market Conduct Examiner



Diane B. Freed
Market Conduct Examiner

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Mutual Benefit Insurance Company, hereinafter referred to as “Company,” at their office located in Huntingdon, Pennsylvania. 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, 2003, through June 30, 2004, 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 declinations.
 - Rating - Proper use of all classification and rating plans and procedures.

2. Assigned Risk
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations and 60-day cancellations.
 - Rating – Proper use of all classification and rating plans and procedures.

3. Personal Lines Property
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations and declinations.
 - Rating – Proper use of all classification and rating plans and procedures.

4. Dwelling Fire
 - Rating – Proper use of all classification and rating plans and procedures.

5. Commercial Automobile

- Underwriting – Appropriate and timely notices of nonrenewals, midterm cancellations, 60-day cancellations, declinations and renewals.

6. Commercial Property

- Underwriting – Appropriate and timely notices of nonrenewals, midterm cancellations, 60-day cancellations, declinations and renewals.

7. Workers' Compensation

- Underwriting – Appropriate and timely notices of nonrenewals and midterm cancellations.

8. Claims

9. Forms

10. Advertising

11. Complaints

12. Licensing

III. COMPANY HISTORY AND LICENSING

Mutual Benefit Insurance Company was incorporated June 29, 1908, under the laws of Pennsylvania as the Corry Mutual Fire Insurance Company. The name was changed on November 16, 1934, to The Mutual Benefit Fire Insurance Company. Charter powers were broadened April 11, 1947, to authorize the acceptance of all fire, marine and allied lines of coverage and were further broadened February 12, 1950, to permit full multiple line underwriting. Concurrent with the absorption of the affiliated Mutual Benefit Casualty Company on June 30, 1951, the present title was adopted.

LICENSING

Mutual Benefit Insurance Company's Certificate of Authority to write business in the Commonwealth was issued on June 29, 1908. The Company is licensed in Maryland, Ohio and Pennsylvania. The Company's 2004 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$69,487,466. Premium volume related to the areas of this review were: Fire \$476,136; Homeowners multiple peril \$11,394,586; Commercial multiple peril (non-liability portion) \$8,372,326; Commercial multiple peril (liability portion) \$7,358,793; Inland Marine \$266,131; Workers' Compensation \$13,116,094; Private Passenger Automobile Direct Written Premium was reported as Private Passenger Automobile No-Fault (personal injury protection) \$1,590,063; Other Private Passenger Automobile Liability \$8,766,947 and Private Passenger Automobile Physical Damage \$9,220,412; Commercial Automobile Direct Written Premium was reported as Commercial Automobile No-Fault (personal injury protection) \$242,609; Other Commercial Automobile Liability \$4,687,003 and Commercial Automobile Physical Damage \$2,387,427.

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 business owners, commercial property, commercial package, commercial liability, private passenger automobile, personal lines property and liability and personal inland marine. 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.

The following findings were made:

2 Violations Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance. The personal inland marine guidelines and the dwelling fire and personal liability guidelines required supporting coverage, which is prohibited.

1 Violation Act 205, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. “Unfair Methods of Competition” and “Unfair or Deceptive Practices” in the business of insurance means: Unfairly discriminating by means of: Making or permitting any unfair discrimination between individuals of the same class and essentially the same hazard with regard to underwriting standards and practices

or eligibility requirements by reason of race, religion, nationality or ethnic group, age, sex, family size, occupation, place of residence or marital status. The terms “underwriting standards and practices” or “eligibility rules” do not include the promulgation of rates if made or promulgated in accordance with the appropriate rate regulatory act of this Commonwealth and regulations promulgated by the Commissioner pursuant to such act. The homeowner guidelines used occupation as a reason for refusal to write.

1 Violation Act 68, Section 2003(a)(11) [40 P.S. §991.2003(a)(11)]

Discrimination Prohibited – (a) An insurer may not cancel or refuse to write or renew a policy of automobile insurance for the following reason: The refusal of another insurer to write a policy or the cancellation or refusal to renew an existing policy by another insurer. The Company’s automobile underwriting guideline indicated that any applicant that has been cancelled, declined or nonrenewed for cause, including nonpayment of premium, is not eligible.

V. 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.

The universe of 53 private passenger automobile files identified as being cancelled in the first 60 days of new business was selected for review. All 53 files selected were received and reviewed. No violations were noted.

2. Midterm Cancellations

A midterm 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 1,956 private passenger automobile files identified as midterm cancellations by the Company, 150 files were selected for review. All 150 files selected were received and reviewed. Of the 150 files reviewed, 11 were identified as nonrenewals. The violation noted resulted in an error ratio of 1%.

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 for other than permitted reasons.

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 105 private passenger automobile files identified as nonrenewals by the Company, 25 files were selected for review. All 25 files selected were received and reviewed. No violations were noted.

4. Declinations

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

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

The universe of 1 private passenger automobile file identified as being declined by the Company during the experience period was selected for review. The file requested was received and reviewed. The violation noted resulted in an error ratio of 100%.

The following finding was made:

1 Violation Act 68, Section 2008(b) [40 P.S. §991.2008(b)]

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The Company did not provide any documentation to indicate written notice of

the refusal to write was mailed to the insured nor an offer to have the Insurance Commissioner review the action.

B. Private Passenger Automobile – Assigned Risk

Mutual Benefit Insurance Company reports its premium writings for private passenger automobile to the Pennsylvania Assigned Risk Plan. As a result, the Company receives all assignments from the Pennsylvania Assigned Risk Plan.

1. Midterm Cancellations

A midterm 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 Title 75, Pennsylvania Consolidated Statutes, Sections 1742, 1743 and 1744 [75 Pa. C.S. §1742, 1743 and 1744], and all the rules of the Pennsylvania Assigned Risk Plan and Manual.

From the universe of 82 private passenger automobile assigned risk policies cancelled during the experience period, 40 files were selected for review. All 40 files selected were received and reviewed. The 2 violations noted were based on 2 files, resulting in an error ratio of 5%.

The following findings were made:

2 Violations Title 75, Pa. C.S. §1744

Termination of policies. Cancellation, refusal to renew and other termination of policies issued under the Assigned Risk Plan shall be in accordance with the rules of the plan.

AND

Assigned Risk Manual Section 14B(f)

A Company which has issued a policy or binder under this Plan shall have the right to cancel the insurance by giving notice as required in the policy or binder if the insured fails to respond to at least two written requests for pertinent underwriting information which would have a direct bearing on the rating of the policy. The Company failed to provide at least two written requests for underwriting information 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 anniversary date.

The purpose of the review was to determine compliance with Title 75, Pennsylvania Consolidated Statutes, Sections 1742, 1743, 1744 [75 Pa. C.S. §1742, 1743 and 1744], and all the rules of the Pennsylvania Assigned Risk Plan and Manual.

The universe of 45 private passenger automobile assigned risk policies nonrenewed during the experience period was selected for review. All 45 files selected were received and reviewed. The 24 violations were based on 24 files, resulting in an error ratio of 53%.

The following findings were made:

24 Violations Title 75, Pa. C.S. §1744

Termination of policies. Cancellation, refusal to renew and other termination of policies issued under the Assigned Risk Plan shall be in accordance with the rules of the plan.

AND

Assigned Risk Plan Manual, Section 12A-3

The assigned Company shall mail a take-out notice to each insured eligible for take-out and the producer of record at least 45 days, but no more than 60 days, prior to the expiration of the Plan policy to be replaced. Of the 24 violations, 22 violations were due to the Company's failure to provide 45 days for the take-out notice. The remaining 2 violations resulted because the Company failed to provide less than 60 days for the take-out notice.

C. Personal Lines Property

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 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)], which prohibits an insurer from canceling a policy for discriminatory reasons and Title 31, Pennsylvania Code, Section 59.9(b), which requires an insurer who cancels a policy in the first 60 days to provide at least 30 days notice of the termination.

From the universe of 115 personal lines property policies, which were cancelled within the first 60 days of new business, 64 files were selected for

review. The property policies consisted of homeowners and tenant homeowners. All 64 files selected were received and reviewed. The 5 violations noted were based on 5 files, resulting in an error ratio of 8%.

The following findings were made:

5 Violations Act 205, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. “Unfair Methods of Competition” and “Unfair or Deceptive Practices” in the business of insurance means: Unfairly discriminating by means of: Making or permitting any unfair discrimination between individuals of the same class and essentially the same hazard with regard to underwriting standards and practices or eligibility requirements by reason of race, religion, nationality or ethnic group, age, sex, family size, occupation, place of residence or marital status. The terms “underwriting standards and practices” or “eligibility rules” do not include the promulgation of rates if made or promulgated in accordance with the appropriate rate regulatory act of this Commonwealth and regulations promulgated by the Commissioner pursuant to such act. The Company cancelled the policy based on occupation for the 5 files noted.

2. 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 2,252 personal lines property policies, which were cancelled midterm during the experience period, 257 files were selected for review. The property policies consisted of homeowners, tenant homeowners, owner occupied dwelling fire and personal inland marine. Also included were 18 files identified as tenant occupied dwelling fire policies. All 257 files requested were received and reviewed. The 30 violations noted were based on 26 files, which resulted in an error ratio of 10%.

The following findings were 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 nonrenewed the policy for a reason other than those permitted.

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

Requires that a cancellation notice shall state the date, not less than thirty days after the date of delivery or mailing on which such cancellation or refusal to renew shall become effective. The Company did not provide at least 30 days notice of cancellation for the 9 files noted.

2 Violations Act 86, Section 2 [40 P.S. §3402]

Grounds for cancellation. Canceling in midterm a policy of insurance covering commercial property and casualty risks is prohibited for any reason other than those enumerated under this section. The 2 tenant occupied dwelling fire policies were cancelled for other than permitted reasons.

1 Violation 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 terminated the tenant occupied dwelling fire policy without providing at least 60 days advance notice of the effective date of termination.

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

Requires that a Midterm cancellation notice shall be forwarded directly to the named insured or insureds at least 60 days in advance of the effective date of termination unless one or more of the following exist: The insured has failed to pay a premium when due, whether the premium is payable directly to the company or its agents or indirectly under a premium finance plan or extension of credit, in which case, the prescribed written notice of cancellation shall be forwarded directly to the named insured at least 15 days in advance of the effective date of termination. The Company did not provide the required 15 days notice for nonpayment of premium for the tenant occupied dwelling fire policy.

16 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 16 files noted were absent any evidence this requirement was complied with.

CONCERN: An underwriting trend has been noted regarding cancellation for nonpayment of premium for tenant occupied dwelling fire policies. It appears that if there is no supporting coverage for the tenant occupied dwelling policy and the insured is late with their premium, regardless of the number of years they have been insured with the Company or the number of other times they have been late with their premium, the Company will not offer to reinstate the policy. However, if there is supporting coverage,

an offer may be made to reinstate. The underwriting files are marked as to whether or not the policy is supported by other business. This practice shall be discontinued and the same standards shall apply evenly to all policyholders.

3. 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 107 personal lines property policies which were nonrenewed during the experience period 54 files were selected for review. The property policies consisted of homeowners and tenant homeowners. All 54 files were received and reviewed. The violation noted resulted in an error ratio of 2%.

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 nonrenewed the policy for an improper reason.

4. Declinations

A declination is any application that is received and the Company declines to write the coverage.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)], discriminatory reasons.

The universe of 10 property files identified as declinations by the Company was selected for review. The property policies consisted of homeowners and tenant homeowners. All 10 files selected were received and reviewed. No violations were noted.

D. Commercial 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 86, Section 7 (40 P.S. §3407), which requires an insurer, who cancels a policy that is in effect less than 60 days, to provide 30 days notice of termination no later than the 60th day unless the policy provides for a longer period of notification.

The universe of 8 commercial automobile policies cancelled within the first 60 days was selected for review. All 8 files selected were received and reviewed. No violations were noted.

2. 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 157 commercial automobile policies cancelled during the experience period, 40 files were selected for review. All 40 files selected were received and reviewed. The 8 violations noted were based on 8 files, resulting in an error ratio of 20%.

The following findings were made:

7 Violations Act 86, Section 4(a) [40 P.S. §3404(a)]

Requires that unearned premium be returned to the insured not later than 10 business days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insurer. The Company did not refund the insured within 10 business days after the effective date of termination for the 7 files noted.

1 Violation Act 86, Section 4(b) [40 P.S. §3404(b)]

Requires that unearned premium be returned to the insured not later than 30 days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insured. The Company did not refund the insured within 30 days after the effective date of termination.

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 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 45 commercial automobile policies identified as nonrenewals by the Company was selected for review. All 45 files selected were received and reviewed. No violations were noted.

4. Declinations

A declination is any application that is received and the Company declines to write the coverage.

The primary purpose of the review was to determine compliance with Act 205, Section 5 [40 P.S. §1171.5], which defined unfair methods of competition and unfair or deceptive acts or practices.

From the universe of 369 commercial automobile files identified as declinations by the Company, 40 files were selected for review. All 40 files selected were received and reviewed. No violations were noted.

5. 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 1,710 commercial automobile policies, which were renewed during the experience period, 75 files were selected for review. All 75 files selected were received and reviewed. No violations were noted.

E. Commercial Property

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 86, Section 7 (40 P.S. §3407), which requires an insurer, who cancels a policy that is in effect less than 60 days, to provide 30 days notice of termination no later than the 60th day unless the policy provides for a longer period of notification.

From the universe of 67 commercial property policies, which were cancelled within the first 60 days, 17 files were selected for review. The commercial property policies consisted of tenant occupied dwelling fire, commercial package and commercial fire. All 17 files selected were received and reviewed. No violations were noted.

2. 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 899 commercial property policies, which were cancelled during the experience period, 78 files were selected for review. The commercial policies consisted of commercial package, commercial fire, tenant occupied dwelling fire and commercial inland marine. All 78 files selected were received and reviewed. The 14 violations noted were based on 14 files, resulting in an error ratio of 18%.

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 60 days advance notice of the effective date of termination for the 2 files noted.

11 Violations Act 86, Section 4(a) [40 P.S. §3404(a)]

Requires that unearned premium be returned to the insured not later than 10 business days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insurer. The Company did not refund the insured within 10 business days after the effective date of termination for the 11 files noted.

1 Violation Act 86, Section 4(b) [40 P.S. §3404(b)]

Requires that unearned premium be returned to the insured not later than 30 days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insured. The Company did not refund the insured within 30 days after the effective date of termination.

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 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.

From the universe of 102 commercial property policies identified as nonrenewals by the Company, 31 files were selected for review. The commercial policies consisted of commercial inland marine, commercial fire, commercial package and tenant occupied dwelling fire. All 31 files selected were received and reviewed. The violation noted resulted in an error ratio of 3%.

The following finding was 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 advance notice of the effective date of termination.

4. Declinations

A declination is any application that is received and the Company declines to write the coverage.

The primary purpose of the review was to determine compliance with Act 205, Section 5 [40 P.S. §1171.5], which defined unfair methods of competition and unfair or deceptive acts or practices

From the universe of 612 commercial property files identified as declinations by the Company, 59 files were selected for review. The commercial files consisted of tenant occupied dwelling fire, commercial fire, commercial package and commercial inland marine. All 59 files selected were received and reviewed. No violations were noted.

5. 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 7,356 commercial property policies, which were renewed during the experience period, 238 files were selected for review. The commercial property policies consisted of commercial package, commercial inland marine, commercial fire and tenant occupied dwelling fire. All 238 files selected were received and reviewed. The 2 violations noted were based on 1 file, resulting in an error ratio of .4%.

The following findings were made:

1 Violation Act 86, Section 2 [40 P.S. §3402]

Grounds for cancellation. Canceling in midterm a policy of insurance covering commercial property and casualty risks is prohibited for any reason other than those enumerated under this section. The file noted was cancelled for other than permitted reasons.

1 Violation Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance. The file noted contained a cancellation notice which required supporting business.

F. Workers Compensation

1. Midterm Cancellations

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

The universe of 158 workers' compensation policies cancelled during the experience period was selected for review. All 158 files selected 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 review was conducted to determine compliance with Act 86, Section 3 (40 P.S. §3403), which establishes notice requirements for nonrenewals.

The universe of 62 workers' compensation policies nonrenewed during the experience period was selected for review. All 62 files selected were received and reviewed. The 6 violations noted were based on 6 files, resulting in an error ratio of 10%.

The following findings were made:

2 Violations Act 86, Section 3(a)(5) [40 P.S. §3403(a)(5)]

Requires that a nonrenewal notice shall state the specific reasons for the nonrenewal. The reasons shall identify the condition, factor or loss experience, which caused the nonrenewal. The notice shall provide sufficient information or data for the insured to correct the deficiency. The Company did not provide a specific reason for nonrenewal on the 2 files noted.

4 Violations Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance. The Company nonrenewed the workers' compensation portion of the 4 policies noted based on experience, condition or recommendations of other lines of business.

VI. 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 that 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.

Private Passenger Automobile – New Business Without Surcharges

From the universe of 1,266 private passenger automobile policies identified as new business without surcharges by the Company, 40 files were selected for review. All 40 files requested were received and reviewed. The 2,532 violations were based on the universe of 1,266 files, resulting in an error ratio of 100%.

The following findings were made:

1,266 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 did not provide the notice of tort options to the insured at the time of application.

1,266 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 1,266 violations noted were the result of the Company not providing the itemized invoice listing the minimum vehicle insurance coverage levels and the premium charge for the insured to purchase the minimum mandated coverages at the time of application.

Private Passenger Automobile – New Business With Surcharges

From the universe of 60 private passenger automobile policies identified as new business with surcharges by the Company, 30 files were selected for review. All 30 files requested were received and reviewed. The 183 violations noted were based on the universe of 60 files, resulting in an error ratio of 100%.

The following findings were made:

60 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 Company failed to provide the dates of accidents and/or violations with the surcharge statement.

60 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 did not provide the notice of tort options to the insured at the time of application.

60 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 60 files noted were the result of the Company not providing the itemized invoice listing the minimum vehicle insurance coverage levels and the premium charge for the insured to purchase the minimum mandated coverages at the time of application.

3 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 3 violations were the result of policies

being issued with an improper territory which resulted in undercharges.

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 processes and issues personal automobile policies using an automated system. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. 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 20,219 private passenger automobile policies renewed without surcharges during the experience period, 75 files were selected for review. All 75 files selected were received and reviewed. The 7 violations noted were based on the universe of 20,219, resulting in an error ratio of .03%.

The following findings were made:

*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 Company wrote commercial accounts on 7 private passenger automobile policies.

Private Passenger Automobile – Renewals With Surcharges

From the universe of 1,444 private passenger automobile policies renewed with surcharges during the experience period, 75 files were selected for review. All 75 files selected were received and reviewed. The 1,444 violations noted were based on the universe of 1,444, resulting in an error ratio of 100%.

The following findings were made:

1,444 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 Company failed to provide the dates of accidents and/or violations with the surcharge statement.

B. Private Passenger Automobile – Assigned Risk

Mutual Benefit Insurance Company reports its premium writings for private passenger automobile to the Pennsylvania Assigned Risk Plan. As a result, Mutual Benefit Insurance Company receives all assignments from the Pennsylvania Assigned Risk Plan.

1. New Business

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

The primary purpose of the review was to determine compliance with Act 246, The Casualty and Surety Rate Regulatory Act, 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. Review was also made of all the rules and rates of the Assigned Risk

Plan, compliance with all provisions of Act 6 of 1990, as well as Title 75, Pa. C.S. Sections 1741, 1742, 1743 and 1744 [40 P.S. §1741, 1742, 1743 and 1744], which establishes the Assigned Risk Plan and requires insurers to abide by the rules of the Plan.

Assigned Risk Private Passenger Automobile – New Business – Clean

From the universe of 134 assigned risk private passenger automobile new business policies written as clean during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. No violations were noted.

Assigned Risk Private Passenger Automobile – New Business – Other Than Clean

From the universe of 78 assigned risk private passenger automobile new business policies written as other than clean during the experience period, 25 files were selected for review. All 25 files selected were received and reviewed. No violations were noted.

Assigned Risk Private Passenger Automobile – Renewals – Clean

From the universe of 53 assigned risk private passenger automobile renewal policies written as clean during the experience, 25 files were selected for review. All 25 files selected were received and reviewed. The 16 violations noted were based on 16 files, resulting in an error ratio of 64%.

The following findings were made:

16 Violations PA Assigned Risk Plan, Section 12(A)(3)

The assigned company shall mail a take-out notice to each insured eligible for take-out and the producer of record at

least 45 days, but no more than 60 days, prior to expiration of the Plan policy to be replaced. Of the 16 violations noted, 15 violations resulted because the Company failed to provide a take-out offer 45 days prior to expiration. The remaining violation resulted because the take-out offer was provided in excess of 60 days.

Assigned Risk Private Passenger Automobile – Renewals – Other Than Clean

The universe of 11 assigned risk private passenger automobile renewal policies written as other than clean during the experience period was selected for review. All 11 files selected were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 27%.

The following findings were made:

3 Violations PA Assigned Risk Plan, Section 16A(2)

Renewal premium quotations will be made as stipulated in the Plan rules 30 days prior to the renewal effective date. The Company failed to provide the renewal quotation 30 days prior to the renewal effective date.

C. Homeowners

1. New Business

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

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require 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.

Homeowners – New Business Without Surcharges

From the universe of 3,581 homeowner policies written as new business without surcharges during the experience period, 50 files were selected for review. All 50 files were received and reviewed. The violation noted resulted in an error ratio of 2%.

The following finding was made:

1 Violation 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 rated the policy improperly, which resulted in an overcharge of \$8.

Homeowners – New Business With Surcharges

The universe of 7 homeowner policies written as new business with surcharges during the experience period was selected for review. All 7 files selected were received and reviewed. No violations were noted.

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 determine compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require 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.

Homeowner – Renewals Without Surcharges

From the universe of 22,586 homeowner policies renewed without surcharges during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. No violations were noted.

Homeowner – Renewals With Surcharges

From the universe of 293 homeowner policies renewed with surcharges during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. No violations were noted.

D. Dwelling Fire

1. New Business

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

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require 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.

From the universe of 316 dwelling fire policies written as new business during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. No violations were noted.

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 determine 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.

From the universe of 270 dwelling fire policies renewed during the experience period, 25 files were selected for review. All 25 files selected were received and reviewed. No violations were noted.

VII. CLAIMS

The Company was requested to provide copies of all established written claim handling procedures utilized during the experience period. Written claim handling procedures were received and reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

The Claims review consisted of the following areas of review:

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

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

A. Automobile Property Damage Claims

From the universe of 1,163 private passenger automobile property damage claims reported during the experience period, 64 files were selected for review. Of the 64 claims received, 50 files were voluntary automobile claims and 14 were assigned risk claims. All 64 files requested were

received and reviewed. The 3 violations noted were based on 2 files, resulting in an error ratio of 3%.

The following findings were made:

1 Violation Title 31, Pa. Code, Section 146.5(a)

Every insurer, upon receiving notification of a claim, shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgment is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company did not acknowledge the claim within 10 working days.

2 Violations 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 2 claims noted.

B. Automobile Comprehensive Claims

From the universe of 1,796 private passenger automobile comprehensive claims reported during the experience period, 50 files were selected for review. All 50 files requested were received and reviewed. No violations were noted.

C. Automobile Collision Claims

From the universe of 1,538 private passenger automobile collision claims reported during the experience period, 50 files were selected for review. All 50 files requested were received and reviewed. The 5 violations noted were based on 5 files, resulting in an error ratio of 10%.

The following findings were made:

2 Violations Title 31, Pa. Code, Section 146.5(a)

Every insurer, upon receiving notification of a claim, shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgment is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company did not acknowledge the 2 claims noted within 10 working days.

3 Violations 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 3 claims noted.

D. Automobile Total Loss Claims

From the universe of 397 private passenger automobile total loss claims reported during the experience period, 52 files were selected for review. All 52 files selected were received and reviewed. The files consisted of 50 voluntary automobile claims and 2 assigned risk claims. The 7 violations noted were based on 7 files, resulting in an error ratio of 13%.

The following findings were made:

1 Violation Title 31, Pa. Code, Section 146.5(a)

Every insurer, upon receiving notification of a claim, shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgment is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company did not acknowledge the claim within 10 working days.

2 Violations 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 2 claims noted.

2 Violations Title 75, Pa. C.S. §1161(a)&(b) – Certificate of Salvage Required.

(a) General rule – Except as provided in Sections 1162 and 1163, a person, including an insurer or self-insurer as defined in Section 1702 (relating to definitions), who owns, possesses or transfers a vehicle located or registered in the Commonwealth which qualifies as a salvage vehicle shall make application to the Department for a certificate of salvage for that vehicle.

(b) Application for certificate of salvage. – An owner who transfers a vehicle to be destroyed or dismantled, salvaged or recycled shall assign the certificate of title to the person to whom the vehicle is transferred. Except as provided in Section 1163, the transferee shall immediately present the assigned certificate of title to the Department or an authorized agent of the Department with an application for a certificate of salvage upon a form furnished and prescribed by the Department. An insurer as defined in Section 1702 to which title to a vehicle is assigned upon payment to the insured or

claimant of the replacement value of a vehicle shall be regarded as a transferee under this subsection. The 2 files noted did not reflect a salvage title was obtained.

2 Violations Act 205, Section 5(a)(10)(vi) [40 P.S. §1171.5(a)(10)(vi)]

Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices: Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which the company's liability under the policy has become reasonably clear. The Company failed to pay the proper amount of the claim for the 2 files noted.

E. Automobile First Party Medical Claims

From the universe of 709 private passenger automobile first party medical claims reported during the experience period, 55 claim files were selected for review. All 55 files requested were received and reviewed. The files consisted of 50 voluntary automobile claims and 5 assigned risk claims. The 11 violations noted were based on 6 files, resulting in an error ratio of 11%.

The following findings were made:

4 Violations Title 31, Pa. Code, Section 69.52(b)

Requires an insurer to pay bills for care that are not referred to a Peer Review Organization within 30 days after the insurer receives sufficient documentation supporting the bill.

The 4 violations noted resulted because the bill was not paid within 30 days.

4 Violations Title 75, Pa. C.S. §1716

Payment of Benefits. Benefits are overdue if not paid within 30 days after the insurer receives reasonable proof of the amount of benefits. If reasonable proof is not supplied as to all benefits, the portion supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer. Overdue benefits shall bear interest at the rate of 12% per annum from the date the benefits become due. In the event the insurer is found to have acted in an unreasonable manner in refusing to pay the benefits when due, the insurer shall pay, in addition to the benefits owed and the interest thereon, a reasonable attorney fee based upon actual time expended. The Company did not pay interest on 4 claims that were not paid within 30 days.

2 Violations 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 2 claims noted.

1 Violation Title 31, Pa. Code, Section 69.22(c)

Requires the insurer when an insured's first-party limits have been exhausted, to provide notice to the provider and the insured within 30 days of the receipt of the provider's bill.

The violation noted was due to the insurer not notifying the insured that the first-party limits have been exhausted.

F. Automobile First Party Medical Claims Referred to a PRO

The universe of 5 automobile first party medical claims that were referred to a peer review organization by the Company was selected for review. All 5 files selected were received and reviewed. The Company was also asked to provide a copy of the all peer review contracts in place during the experience period. A contract was received and reviewed. No violations were noted.

G. Homeowner Claims

From the universe of 2,190 homeowner claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The 11 violations noted were based on 10 files, resulting in an error ratio of 20%.

The following findings were made:

3 Violations Title 31, Pa. Code, Section 146.5(a)

Every insurer, upon receiving notification of a claim, shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgment is made by means other than writing, an appropriate notation of such acknowledgment shall be made

in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company did not acknowledge the claim within 10 working days for the 3 files noted.

8 Violations 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 8 claims noted.

H. Dwelling Fire Claims

From the universe of 75 dwelling fire claims reported during the experience period, 25 files were selected for review. All 25 files selected were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 12%.

The following findings were made:

3 Violations 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 3 claims noted.

VIII. 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 and claim files were also reviewed to verify compliance with Act 165 of 1994 [18 Pa. CS §4117(k)(1)] and Act 6 of 1990 [75 Pa. CS §1822] which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage.

The following finding was made:

1 Violation Act 165 of 1994 [18 Pa. C.S. §4117(k)(1)]

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties. The Company did not provide the fraud warning on the General Release claim form.

IX. ADVERTISING

The Company was requested to provide copies of all advertising, sales material and internet advertisements in use during the experience period.

The purpose of this review was to determine compliance with Act 205, Section 5 [40 P.S. §1171.5], which defines unfair methods of competition and unfair or deceptive acts or practices in the business of insurance, as well as Title 31, Pennsylvania Code, Section 51.2(c) and Section 51.61.

The Company provided 52 pieces of advertising which included newspaper and magazine ads, brochures, policy stuffers, producer's education kits and producer newsletters. Internet advertising was also reviewed. No violations were noted.

X. 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 63 consumer complaints received during the experience period and provided all consumer complaint logs requested. All 63 complaints reported were selected, 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:

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 violation noted was due to an improper reason for cancellation.

1 Violation Act 205, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. “Unfair Methods of Competition” and “Unfair or Deceptive Practices” in the business of insurance means: Unfairly discriminating by means of: Making or permitting any unfair discrimination between individuals of the same class and essentially the same hazard with regard to underwriting standards and practices or eligibility requirements by reason of race, religion, nationality or ethnic group, age, sex, family size, occupation, place of residence or marital status. The terms “underwriting standards and practices” or “eligibility rules” do not include the promulgation of rates if made or promulgated in accordance with the appropriate rate regulatory act of this Commonwealth and regulations promulgated by the Commissioner pursuant to such act. The Company cancelled the policy based on occupation.

1 Violation Title 75, Pa. C.S. §1799.3(a)

Prohibits insurers from canceling or refusing to renew a policy or applying a surcharge, rate penalty or driver record point assignment where, during the preceding three-year period, the aggregate cost to the insurer for any person injured or property damaged is determined to be less than \$1,050 in excess of any self insured retention or deductible applicable to the named insured. The Company cancelled the policy when the aggregate cost was below \$1,050.

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 file noted was absent any evidence this requirement was complied with.

The following synopsis reflects the nature of the 63 complaints that were reviewed.

• 50	Cancellation/Nonrenewal	79%
• 9	Claims Related	14%
• 4	Underwriting/Rating	7%
<hr/>		<hr/>
63		100%

XI. 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. No violations were noted.

XII. 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, Sections 2004 and 2008 [40 P.S. §§991.2004 and 2008], 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 compliance with cancellation and nonrenewal notice requirements so that the violations noted in the Report do not occur in the future.
3. The Company must review Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)] to ensure that the violations relative to supporting coverage, as noted in the Report, do not occur in the future.
4. The Company must review Act 205, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)] to ensure that the violations relative to canceling or refusing to write a policy due to occupation, as noted in the Report, do not occur in the future.
5. The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation and nonrenewal requirements of Act 86, Sections 2, 3 and 4 [40 P.S. §§3402, 3403 and

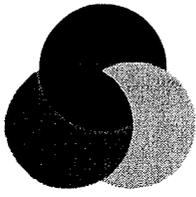
3404], so that the violations noted in the Report do not occur in the future.

6. The Company must review Title 75, Pa. C.S. §1791.1(a) and (b) to ensure that violations of providing an itemized invoice listing minimum coverages and tort options at the time of application, as noted in the Report, do not occur in the future.
7. The Company must review Act 246, Section 4 [40 P.S. §1184] and take appropriate measures to ensure the rating violations listed in the Report do not occur in the future.
8. When a surcharge is imposed on a private passenger automobile policy the Company must include specifics of accidents and citations and give notice to the insured. This procedure must be implemented within 30 days of the Report issue date. This is to ensure that violations noted under Title 75, Pa. C.S. §1799.3(d) do not occur in the future.
9. The Company must review Title 75, Pa. C.S. §1744 and the Assigned Risk Manual, Sections 12, 14 and 16 to ensure the violations listed in the Report do not occur in the future.
10. The premium overcharge noted in the rating section of this report must be refunded to the insured and proof of such refund must be provided to the Insurance Department within 30 days of the report issue date.
11. 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 violations relating to claim acknowledgement and status letters, as noted in the Report, do not occur in the future.

12. The Company must review Title 31, Pa. Code, Section 69.52(b) with its claim staff to ensure that first party medical bills are paid within 30 days.
13. The Company must review the first party medical claims, which have not been paid within 30 days. Those claims that have not been paid within 30 days shall bear interest at the rate of 12% annum from the date the benefits become due as required by Title 75, Pa. C.S. §1716. The interest amount must be paid to the claimant and proof of such payment must be provided to the Insurance Department within 30 days of the Report issue date.
14. The Company must review Title 75, Pa. C.S. §1161(a)&(b) with its claim staff to ensure that the Company obtains a salvage title when required.
15. To ensure compliance with Act 205, Section 5(a)(10)(vi) [40 P.S. §1171.5(a)(10)(vi)], the Company must review the total loss claims which have not been paid in full. These claims shall be paid the full amount due and proof of such payment must be provided to the Insurance Department within 30 days of the Report issue date.

XIII. COMPANY RESPONSE



MUTUAL BENEFIT GROUP

Mutual Benefit Insurance Company
Swigart Associates, Inc.

Select Risk Insurance Company
Credit Club Consumer Discount Company

September 1, 2005

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

RE: Examination Warrant Number: 04-M22-041

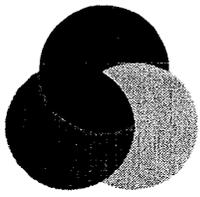
Dear Mr. Derk:

This response is in reference to your Report of Examination dated August 12, 2005 and received in our office August 15, 2005. The examination covered the period July 1, 2003 through June 30, 2004.

Let me begin by saying that many of the recommendations have already been responded to via strengthened procedures and education of the staff. The following provides specific steps taken:

Response:

1. The Company has corrected internal procedures regarding cancellation, non-renewal, and declination under Act 68 Sections 2004 & 2008; has reinforced such with our staff; and will be continuing audits of their work. In addition, we are constructing a new direct bill system that will provide standardized language and time lines for initial and mid term cancellations and nonrenewals. The system will be implemented later this year. The underwriting guideline was already revised effective as of 2/16/2005.
2. The Company has revised procedures regarding cancellation and non-renewal per Act 205 Section 5 (a) (9); has reinforced such with our staff; and will be continuing audits of their work. In addition, we are constructing a new direct bill system that will provide standardized language and time lines for initial and mid term cancellations and nonrenewals. The system will be implemented later this year.
3. The Company has responded to Act 205 Section 5 (a) (4) relative to the issue of supporting coverage by removing such references from underwriting guidelines, notifying agents of such, and reinforcing the changes with our staff.
4. The Company has responded to the Department's interpretation that a person's status as a student is an occupation under Act 205 Section 5 (a) (7) (iii) relative to canceling or refusing to write a policy. We have removed that reference from our guidelines, advised our agents of the change, and instructed our staff to discontinue the practice.
5. The Company has responded to the issues regarding compliance with commercial lines cancellation and non-renewal requirements of Act 86 Sections 2, 3, and 4 by the following:
 - Procedures have been changed for the handling of tenant occupied dwelling fire from Act 205 to Act 86 requirements. Staff has been instructed on the changes;

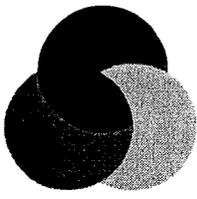


MUTUAL BENEFIT GROUP

Mutual Benefit Insurance Company
Swigart Associates, Inc.

Select Risk Insurance Company
Credit Club Consumer Discount Company

- Procedures have been revised to ensure that unearned premium on a mid term cancellation is returned to the insured within the required time period;
 - Procedures for wording for reasons have been reinforced with the staff.
6. The Company has responded to the examiners' recommendation regarding the requirements of Title 75, PA C.S. § 1791.1 (a) and (b) by reminding our agents of their contractual and legal obligations, and providing detailed instructions and access to necessary itemized invoice and notice of tort options forms via our website. In addition, we are creating a new business process with a vendor that will automatically provide these notices to be delivered by the agent at the time of application. Implementation is expected early in 2006.
 7. The Company will correct the Act 246, Section 4 rating violations that had an incorrect territory used when the specific risks are renewed.
 8. The Company currently provides a surcharge notice to the insureds per Title 75, PA C.S. § 1799.3 (d). However, we were not aware of the Department's interpretation that dates of accidents and/or violations need to be included in the surcharge statement until so advised by the examiners. The software has been written to provide the additional information and is currently in the testing phase to be implemented shortly. Meanwhile, the procedure was revised and notices are being done manually as of June 8, 2005. (See documentation enclosed under separate cover.)
 9. The Company has reviewed Title 75, PA C.S. § 1744 and the Assigned Risk Manual and has changed procedures regarding timing of notices, etc. to eliminate the violations. We are also conducting internal Assigned Risk procedure audits. Long term, we are pursuing the sale of our Assigned Risk business to an outside vendor, expected to be accomplished January, 2006.
 10. The premium overcharge, on the policy noted in the rating section of the report, was refunded to the insured immediately and a copy of the documentation that was provided to the examiners is enclosed under separate cover.
 11. The Company has done the following to ensure compliance with claims handling requirements of Title 31, PA Code Chapter 146:
 - Reinforced procedures for claim acknowledgement and status letter with the claims staff;
 - Created generic letters to be used for acknowledgment and reinforced the use of existing letters for status;
 - Established an audit process that will be a part of the claim representatives' performance appraisal;
 - Independent adjusters will continue to be audited for compliance with these requirements.
 12. The Company has responded to the requirement that first party medical bills be paid within 30 days under Title 31 PA Code Section 69.52(b) by reviewing the requirements with the staff and through auditing of files.
 13. The Company has created the following structure to ensure that interest is paid on any first party medical claim that is not paid within 30 days as required by Title 75, PA C.S. § 1716:
 - Cost containment vendor will provide an alert on bills not paid within 30 days



MUTUAL BENEFIT GROUP

Mutual Benefit Insurance Company
Swigart Associates, Inc.

Select Risk Insurance Company
Credit Club Consumer Discount Company

- As a backup, staff will check same during payment process and add appropriate interest when due.
 - We have sent the interest amount to the four (4) involved insureds. Documentation that the interest amount was paid is enclosed under separate cover.
14. The Company has reinforced our procedures to obtain a salvage title; when required under Title 75, C.S. § 1161 (a) & (b); with the staff who handle those files.
15. The Company has already responded to the two (2) mathematical errors which were made on total loss claims per Act 205 Section 5 (a) (10) (vi). Documentation of the additional payments made to the insureds was provided to the examiners and a copy is enclosed under separate cover.

We were extremely pleased with both the efficiency and the professionalism of your market conduct examiners Diane B. Freed and James R. Myers. They made this process a learning experience for our Company.

The core values that we are committed to at Mutual Benefit provide us with the focus to do what is fair and right for all those associated with us. With that in mind, we continue to build a reputation for treating our agents and policyholders' assets and commitments as our own. We reinforce this by having a strong focus on compliance with the laws and regulations of our states. As a result, we are pleased that our employees were responsive to the needs of your staff, communicated openly and honestly with them, and have reacted to the recommendations promptly and thoroughly.

Please let me know if there is anything that may need further explanation or clarification.

Sincerely,

James L. Bookhamer, III, CPCU
Vice President, Research & Development