

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

**PHARMACISTS MUTUAL INSURANCE
COMPANY**

Algona, Iowa

**AS OF
March 25, 2009**

COMMONWEALTH OF PENNSYLVANIA

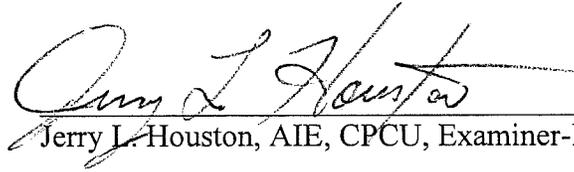


**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: May 13, 2009

VERIFICATION

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


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

Sworn to and Subscribed Before me

This 9 Day of March, 2009


Notary Public

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

PHARMACISTS MUTUAL INSURANCE COMPANY

TABLE OF CONTENTS

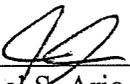
Order	
I.	Introduction..... 1
II.	Scope of Examination..... 3
III.	Company History/Licensing..... 5
IV.	Underwriting Practices and Procedures..... 6
V.	Underwriting
	A. Private Passenger Automobile..... 8
	B. Assigned Risk..... 11
	C. Property..... 12
	D. Commercial Property..... 14
	E. Commercial Automobile..... 18
	F. Workers' Compensation..... 19
VI.	Rating
	A. Private Passenger Automobile..... 22
	B. Assigned Risk..... 37
	C. Homeowners..... 37
	D. Tenant Homeowners..... 39
VII.	Claims..... 41
VIII.	Forms..... 46
IX.	Advertising..... 48
X.	Consumer Complaints..... 49
XI.	Licensing..... 50
XII.	Recommendations..... 51
XIII.	Company Response..... 56

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 22ND day of July, 2008, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Ronald A. Gallagher, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.





Joel S. Ario
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
: :
PHARMACISTS MUTUAL : Act 1990-6, Sections 1705(a)(1) and
INSURANCE COMPANY : (4), 1725, 1734, 1738(c)(d)(1) and (2),
808 Highway 18 West : 1786(e)(3), 1791, 1791.1(a), (b) and (c),
Algona, IA 50511 : 1792(b)(1), 1793(b), 1797(b)(1) and
: 1799.3(d) (Title 75, Pa.C.S. §§ 1705,
: 1725, 1734,1738, 1786, 1791, 1791.1,
: 1792, 1793, 1797 and 1799)
: :
: Sections 4(a) and 4(h) of the Act of
: June 11, 1947, P.L. 538, No. 246
: (40 P.S. §§ 1184)
: :
: Sections 5(a)(4), 5(a)(7)(iii), and
: 5(a)(9)(i), (ii), (iii), (iv), and (v) of the
: Unfair Insurance Practices Act, Act of
: July 22, 1974, P.L. 589, No. 205
: (40 P.S. §§ 1171.5)
: :
: Sections 2005(c) and 2006(1), (2),
: (3), (4), (5), (6), and (7) of Act 68 of
: 1998 (40 P.S. §§991.2005 and 991.2006)
: :
: Sections 1, 3(a)(1), 3(a)(3)(ii), 3(a)(4),
: 3(a)(5), 3(a)(6), and 4(b) of the Act of
: July 3, 1986, P.L. 396, No. 86 (40 P.S.
: §§ 3401, 3403 and 3404)
: :
: Title 31, Pennsylvania Code, Sections
: 61.4, 61.5, 69.42, 69.43, 69.53(a),
: and 146.6
: :
: Title 18, Pennsylvania Consolidated
: Statutes, Section 4117(k)
: :
: Title 75, Pennsylvania Consolidated
: Statutes, Section 1822
: :
Respondent. : Docket No. MC09-04-010

CONSENT ORDER

AND NOW, this 13th day of May, 2009, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

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

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

FINDINGS OF FACT

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

- (a) Respondent is Pharmacists Mutual Insurance Company, and maintains its address at 808 Highway 18 West, Algona, Iowa 50511.

(b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2007 through June 30, 2008.

(c) On March 25, 2009, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on April 24, 2009.

(e) The Examination Report notes violations of the following:

(i) Sections 1705(a)(1) & (4) of Act 1990-6, Title 75, Pa.C.S. § 1705, which requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy may not be issued unless the applicant has been provided an opportunity to elect a tort option;

(ii) Section 1725 of Act 1990-6, Title 75, Pa.C.S. § 1725, which requires every motor vehicle insurance policy to contain a notice whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters;

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

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

- (v) Section 1786(e)(3) of Act 1990-6, Title 75, Pa.C.S. § 1786, which states an insurer who has issued a contract of motor vehicle liability insurance and knows or has reason to believe that the contract is only for the purpose of providing proof of financial responsibility shall notify the Department if the insurance has been canceled or terminated by the insured or by the insurer. The insurer shall notify the Department not later than ten days following the effective date of the cancellation or termination;

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

- (vii) 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;
- (viii) Section 1791.1(b) of Act 1990-6, Title 75, Pa.C.S. § 1791, which requires an insurer to provide an insured with a notice of the availability of two alternatives of full tort insurance and limited tort insurance;
- (ix) Section 1791.1(c) of Act 1990-6, Title 75, Pa.C.S. § 1791, which requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2;

- (x) Section 1792(b)(1) of Act 1990-6, Title 75, Pa.C.S. § 1792(b)(1), which requires every private passenger automobile insurance policy providing collision coverage to provide a deductible in the amount of \$500.00 for collision coverage, unless the named insured signs a statement indicating the insured is aware that the purchase of a lower deductible is permissible and that there is an additional cost of purchasing a lower deductible and the insured agrees to accept it;

- (xi) Section 1793(b) of Act 1990-6, Title 75, Pa. C.S. § 1793, which requires the insurer to provide to the insured a surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and shall deliver the plan to each insured at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage;

- (xii) Section 1797(b)(1) of Act 1990-6, Title 75, Pa.C.S. § 1797, which requires insurers to contract jointly or separately with any peer review organization established for the purpose of evaluating treatment, health care services, products or accommodations provided to any injured person. Such evaluation shall be for the purpose of confirming that such treatment, products, services or accommodations conform to the professional standards of performance and are medically necessary. An insurer's challenge must

be made to a PRO within 90 days of the insurer's receipt of the provider's bill for treatment or services or may be made at any time for continuing treatment or services;

- (xiii) 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;
- (xiv) 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;
- (xv) Section 5(a)(4) of Act 205 (40 P.S. § 1171.5), which defines as an unfair method of competition or unfair or deceptive acts or practices as 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;

- (xvi) Section 5(a)(7)(iii) of Act 205 (40 P.S. § 1171.5), which defines and prohibits unfair methods of competition as 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;
- (xvii) Section 5(a)(9)(i) of Act 205 (40 P.S. § 1171.5), which requires that a cancellation notice be approved as to form by the Insurance Commissioner prior to use;
- (xviii) Section 5(a)(9)(ii) of Act 205 (40 P.S. § 1171.5) prohibits any cancellation or refusal to renew to become effective in a period of less than thirty days from the date of delivery or mailing;
- (xix) Section 5(a)(9)(iii) of Act 205 (40 P.S. § 1171.5) requires that a cancellation notice shall state the specific reason or reasons of the insurer for cancellation;
- (xx) Section 5(a)(9)(iv) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.5), which requires that a cancellation notice shall advise the insured

of his right to request, in writing, within ten days of the receipt of the notice of cancellation or intention not to renew that the Insurance Commissioner review the action of the insurer;

(xxi) Section 5(a)(9)(v) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.5(a)(9)(v)) requires that a cancellation notice shall advise the insured of his possible eligibility for insurance under The PA Fair Plan Act;

(xxii) Section 2005(c) of Act 68 of 1998 (40 P.S. § 991.2005), which requires all insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of a 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;

(xxiii) Section 2006(1) of Act 68 of 1998 (40 P.S. § 991.2006), which requires that a nonrenewal notice be in a form acceptable to the Insurance Commissioner;

(xxiv) Section 2006(2) of Act 68 of 1998 (40 P.S. § 991.2006), which requires a cancellation or refusal to renew by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the named insured at the address shown in the policy a written notice of the cancellation or refusal to renew. The notice shall: (2) state the date, not less

than 60 days after the date of the mailing or delivery, on which cancellation or refusal to renew shall become effective. When the policy is being cancelled or not renewed for the reasons set forth in Section 2004(1) and (2), however, the effective date may be 15 days from the date of mailing or delivery;

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

(xxvi) Section 2006(4) of Act 68 of 1998 (40 P.S. § 991.2006), which requires a cancellation notice advise the insured of his right to request in writing within 30 days of receipt of the notice of cancellation that the Insurance Commissioner review the action of the insurer;

(xxvii) Section 2006(5) of Act 68 of 1998 (40 P.S. § 991.2006), which requires that either in the cancellation notice or in an accompanying statement, the insured be advised of his possible eligibility for insurance through the automobile assigned risk plan;

(xxviii) Section 2006(6) of Act 68 of 1998 (40 P.S. § 991.2006), which requires that a cancellation notice advise the insured that he must obtain compulsory automobile insurance coverage if he operates or registers a motor vehicle in this Commonwealth and that the insurer is notifying the Department of

Transportation that the insurance is being cancelled and the insured must notify the Department of Transportation that he has replaced said coverage;

(xxix) Section 2006(7) of Act 68 of 1998 (40 P.S. § 991.2006), which requires that a cancellation notice clearly state that when coverage is to be terminated due to nonresponse to a citation imposed under 75 Pa.C.S. § 1533, or nonpayment of a fine or penalty imposed under that section, coverage shall not terminate if the insured provides the insurer with proof that the insured has responded to all citations and paid all fines and penalties and that he has done so on or before the termination date of the policy;

(xxx) Section 1 of Act 86 (40 P.S. § 3401), which requires a policy of insurance covering property or casualty risks in this Commonwealth shall provide for not less than 30 days advance notice to the named insured of an increase in renewal premium;

(xxxii) Section 3(a)(1) of Act 86 (40 P.S. § 3403), which states the midterm cancellation notice shall be forwarded by registered or first class mail or delivered by the insurance company directly to the named insured or insureds;

(xxxiii) 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;

(xxxiii) Section 3(a)(4) of Act 86 (40 P.S. § 3403), which requires that a cancellation notice be clearly labeled “Notice of Cancellation”;

(xxxiv) Section 3(a)(5) of Act 86 (40 P.S. § 3403), which requires that a cancellation notice shall state the specific reasons for cancellation. The reasons shall identify the condition, factor or loss experience, which caused the cancellation. The notice shall provide sufficient information or data for the insured to correct the deficiency;

(xxxv) Section 3(a)(6) of Act 86 (40 P.S. § 3403), which 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;

(xxxvi) Section 4(b) of Act 86 (40 P.S. § 3404), which 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;

(xxxvii) Title 31, Pennsylvania Code, Section 61.4, which states forms of notices of cancellation or refusal to renew shall be filed and approved by the Insurance Commissioner prior to use;

(xxxviii) Title 31, Pennsylvania Code, Section 61.5, which states forms of notices of cancellation or refusal to renew shall be clearly labeled: “Notice of Cancellation or Refusal to Renew”;

(xxxix) Title 31, Pennsylvania Code, Section 69.42, which states an insurer shall make payments to providers in accordance with the Medicare Program as applied in this Commonwealth by the carrier and intermediaries. Care covered under the Medicare Program shall be reimbursed at 110% of the Medicare payment or a different allowance as may be determined under §69.12(b). Medicare co-insurance and deductibles may not be excluded in payments made by the insurer;

(xxxx) Title 31, Pennsylvania Code, Section 69.43, which states an insurer shall pay the provider’s usual and customary charge for services rendered when the

charge is less than 110% of the Medicare payment or a different allowance as may be determined under § 69.12(b). An insurer shall pay 80% of the provider's usual and customary charge rendered if no Medicare payment exists. In calculating the usual and customary charge, an insurer may utilize the requested payment amount on the provider's bill for services or the data collected by the carrier or intermediaries to the extent that the data is made available. An insurer shall provide a complete explanation of the calculations made in computing its determination of the amount payable, including whether the calculation is based on 110% of the Medicare payment, 80% of the usual and customary charge or at a different allowance determined by the Commissioner under § 69.12(b). A bill submitted by the provider delineating the services rendered and the information from which a determination could be made by the insurer as to the appropriate payment amount will not be construed as a demand for payment in excess of the permissible payment amount;

(xxxxi) Title 31, Pennsylvania Code, Section 69.53(a), which requires a Peer Review Organization to contract, in writing, jointly or separately with an insurer for the provision of peer review services as authorized by Act 1990-6 and this chapter;

(xxxxii) 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;

(xxxxiii) 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”; and

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

CONCLUSIONS OF LAW

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

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

- (b) 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 willful 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.

- (c) Respondent's violations of Sections 5(a)(4), 5(a)(7)(iii) and 5(a)(9) 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.

- (d) In addition to any penalties imposed by the Department for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Department 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).

- (e) Respondent's violations of Sections 2005 and 2006 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).

- (f) Respondent's violations of Sections 1, 3 and 4 of Act 86 (40 P.S. §§ 3401, 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.
- (g) Respondent's violation of Title 31, Pennsylvania Code, Section 146.6 is 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 Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall 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 Fifteen Thousand Dollars (\$15,000.00) 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. Fraser, Bureau of Market Conduct, 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 Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or it 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 there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon,

reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

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

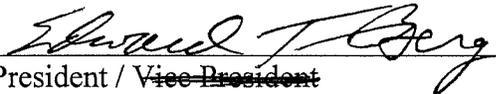
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

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

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law

contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: PHARMACISTS MUTUAL INSURANCE
COMPANY, Respondent


President / ~~Vice President~~


~~Secretary / Treasurer~~ Vice President


COMMONWEALTH OF PENNSYLVANIA
By: Ronald A. Gallagher, Jr.
Deputy Insurance Commissioner

I. INTRODUCTION

The market conduct examination was conducted at Pharmacists Mutual Insurance Company's office located in Algona, Iowa, from October 6, 2008, through October 30, 2008. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

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

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

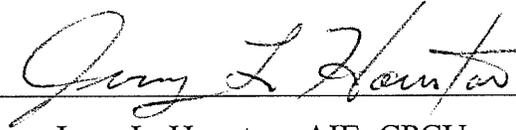
Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel.

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

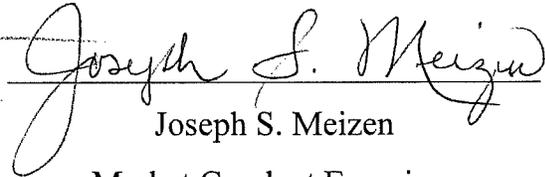
The undersigned participated in this examination and in preparation of this Report.



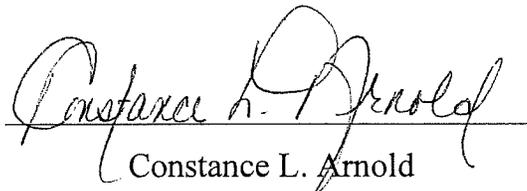
Chester A. Derk, Jr., AIE, HIA
Market Conduct Division Chief



Jerry L. Houston, AIE, CPCU
Market Conduct Examiner



Joseph S. Meizen
Market Conduct Examiner



Constance L. Arnold
Market Conduct Examiner

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Pharmacists Mutual Insurance Company, hereinafter referred to as “Company,” at their office located in Algona, Iowa. 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, 2007, through June 30, 2008, 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 midterm cancellations.
 - Rating – Proper use of all classification and rating plans and procedures.

2. Property
 - Underwriting – Appropriate and timely notices of 60-day cancellations.
 - Rating – Proper use of all classification and rating plans and procedures.

3. Commercial Property
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations and renewals.

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

5. Workers' Compensation

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

6. Claims

7. Forms

8. Advertising

9. Complaints

10. Licensing

III. COMPANY HISTORY AND LICENSING

Pharmacists Mutual Insurance Company was organized on October 16, 1909, under the laws of Iowa as a state association. The corporate structure was changed in 1920, to that of a mutual company. A former companion carrier, National Druggists Mutual Insurance Association was absorbed on September 30, 1948. Business was conducted under the title Druggists Mutual Insurance Company of Iowa prior to January 13, 1959, when "of Iowa" was omitted. Operations were conducted under Druggists Mutual Insurance Company until April 21, 1992, when the present title was adopted.

LICENSING

Pharmacists Mutual Insurance Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2008. The Company is licensed in all states except Alaska, California, Florida, Hawaii and New York. The Company's 2007 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$7,427,015. Premium volume related to the areas of this review were: Fire \$12,576; Homeowners Multiple Peril \$325,980; Commercial Multiple Peril (Non-liability portion) \$1,223,184; Commercial Multiple Peril (Liability portion) \$1,143,088; Inland Marine \$60,550; Workers' Compensation \$2,781,822; Private Passenger Automobile Direct Written Premium was reported as Other Private Passenger Auto Liability \$365,289 and Private Passenger Auto Physical Damage \$292,179; Commercial Automobile Direct Written Premium was reported as Commercial Auto No-Fault (personal injury protection) \$13,525; Other Commercial Auto Liability \$408,971 and Commercial Auto Physical Damage \$159,679.

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. Agency bulletins and underwriting guides were furnished for private passenger automobile, personal lines property and commercial lines. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

The following findings were made:

7 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's private passenger automobile guidelines indicated all auto policies require supporting coverages. The Commercial automobile guidelines for new business indicated the Company will not accept any commercial auto business that does not have supporting commercial insurance also being written. The existing business indicated in order to continue coverage after the anniversary date the following conditions must be met: (1) the business insurance is not being provided by another insurance company. The Company's boat owners guidelines indicated at least one of the following supporting coverages is required: (a) auto policy (b) homeowners, mobile homeowners or renters (c) business coverages written through the

commercial department. The Company's homeowner's guidelines referenced 3 separate instances of requiring supporting business for dwelling fire coverage, seasonal homes and ineligible mobile homes.

3 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 dwelling fire guidelines referenced student housing and transients as 2 unacceptable occupations and senior citizen housing as an unacceptable risk, which could discriminate by age.

V. UNDERWRITING

A. Private Passenger Automobile

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

The universe of 41 private passenger automobile files identified as midterm cancellations by the Company was selected for review. All 41 files were received and reviewed. The 77 violations noted were based on 41 files, resulting in an error ratio of 100%.

The following findings were made:

4 Violations Title 31, Pa. Code, §61.4

Notice of cancellation or refusal to renew. Forms of notices of cancellation or refusal to renew shall be filed and approved by the Insurance Commissioner prior to use. The Company failed to file and receive approval of the cancellation notice prior to use for the 4 files noted.

4 Violations Title 31, Pa. Code, §61.5

Notice of cancellation or refusal to renew requirements: The form shall be clearly labeled: "Notice of Cancellation or Refusal to Renew". The company failed to properly label the cancellation notice for the 4 files noted.

4 Violations Act 68, Section 2006(1) [40 P.S. §991.2006(1)]

Requires that a cancellation notice be in a form acceptable to the Insurance Commissioner. The Company failed to use a cancellation form acceptable to the Insurance Commissioner.

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

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. The 4 files noted contained cancellation notices for nonpayment of premium, but did not provide 15 days from the date of mailing.

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

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the specific reason or reasons of the insurer for cancellation. The Company failed to provide a specific reason for cancellation for the 4 files noted.

4 Violations Act 68, Section 2006(4) [40 P.S. §991.2006(4)]

Requires that a cancellation notice advise the insured of his right to request in writing that the Insurance Commissioner review the action of the insurer. The Company failed to provide the required 30 day right of review by the Insurance Commissioner.

4 Violations Act 68, Section 2006(5) [40 P.S. §991.2006(5)]

Requires that either in the cancellation notice or in an accompanying statement, the insured be advised of this possible eligibility for insurance through the automobile assigned risk plan. The Company failed to advise the insured of his or her eligibility for insurance through the assigned risk plan on the cancellation notice for the 4 files noted.

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

Requires that a cancellation notice advise the insured that he must obtain compulsory automobile insurance coverage if he operates or registers a motor vehicle in this Commonwealth and that the insurer is notifying the Department of Transportation that the insurance is being cancelled and the insured must notify the Department of Transportation that he has replaced said coverage. The Company failed to inform the insured regarding compulsory automobile insurance on the cancellation notice for the 4 files noted.

4 Violations Act 68, Section 2006(7) [40 P.S. §991.2006(7)]

Requires that a cancellation notice clearly state that when coverage is to be terminated due to nonresponse to a citation

imposed under 75 Pa. C.S. §1533 (relating to suspension of operating privilege for failure to respond to a citation) or nonpayment of a fine or penalty imposed under that section, coverage shall not terminate if the insured provides the insurer with proof that the insured has responded to all citations and paid all fines and penalties and that he has done so on or before the termination date of the policy. The Company failed to include the required information on the cancellation notice regarding a citation imposed under Title 75, Pa. C.S. §1533 for the 4 files noted.

41 Violations Title 75, Pa. C.S. §1786(e)(3)

An insurer who has issued a contract of motor vehicle liability insurance and knows or has reason to believe that the contract is only for the purpose of providing proof of financial responsibility shall notify the Department of Transportation if the insurance has been canceled or terminated by the insured or by the insurer. The insurer shall notify the Department not later than ten days following the effective date of the cancellation or termination. The Company failed to notify the Department of Transportation within 10 days as required.

B. Private Passenger Automobile – Assigned Risk

The Company is an excused carrier under the assigned risk Limited Assignment Distribution procedure. Under this procedure groups of companies not under common ownership or management may form a Limited Assignment Distribution (LAD) arrangement. Each LAD arrangement has one servicing company, which writes assigned risk

business on behalf of those members, which choose to buy out from their private passenger quota. As part of this arrangement the Company wrote no assigned risk business during the experience period.

C. 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.

The universe of 1 homeowner policy which was cancelled within the first 60 days of new business was selected for review. The file was 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 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.

The universe of 43 property policies which were cancelled midterm during the experience period was selected for review. The property policies consisted of homeowners and tenant homeowners. All 43 files were received and reviewed. The 35 violations noted were based on 7 files, resulting in an error ratio of 16%.

The following findings were made:

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

Requires that a cancellation notice be approved as to form by the Insurance Commissioner prior to use. The Company failed to use a form approved by the Insurance Commissioner.

7 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 failed to provide 30 days notice of cancellation for the 7 files noted.

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

Requires that a cancellation notice shall state the specific reason or reasons of the insurer for cancellation. The Company failed to provide a specific reason for cancellation for the 7 files noted.

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

Requires that a cancellation notice shall advise the insured of his right to request, in writing, within ten days of the receipt of the notice of cancellation or intention not to renew that the Insurance Commissioner review the action of the insurer. The Company failed to advise the insured of their right of review by the Insurance Commissioner for the 7 files noted.

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

Requires that a cancellation notice shall advise the insured of his possible eligibility for insurance under the act of July 31, 1968 (P.L. 738, No. 233), known as “The PA Fair Plan Act”. The Company did not advise the insured of his possible eligibility under the Fair Plan for the 7 files noted.

D. 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.

The universe of 2 commercial package policies cancelled within the first 60 days was selected for review. Both files 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 39 commercial property policies cancelled midterm during the experience period, 18 files were selected for review. The commercial property files consisted of commercial package, commercial inland marine and tenant occupied dwelling fire. All 18 files were received and reviewed. The 12 violations noted were based on 3 files, resulting in an error ratio of 17%.

The following findings were made:

3 Violations Act 86, Section 3(a)(4) [40 P.S. §3403(a)(4)]

Requires that a cancellation notice be clearly labeled “Notice of Cancellation”. The Company failed to clearly label “Notice of Cancellation” for the 3 files noted.

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

Requires that a cancellation notice shall state the specific reasons for cancellation. The reasons shall identify the condition, factor or loss experience, which caused the cancellation. The notice shall provide sufficient information

or data for the insured to correct the deficiency. The Company did not provide a specific reason for cancellation for the 3 files noted.

3 Violations 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 failed to provide 15 days notice of cancellation for nonpayment of premium.

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

Requires that a cancellation notice shall state that at the insured's request, the insurer shall provide loss information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less. The Company did not provide an offer of loss information on the notice as required for the 3 files noted.

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

4. 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 611 commercial property policies renewed during the experience period, 45 files were selected for review. The commercial property policies consisted of tenant occupied dwelling fire, commercial inland marine and commercial package. All 45 files were received and reviewed. The 8 violations noted were based on 8 files, resulting in an error ratio of 18%.

The following findings were made:

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

This section provides that notwithstanding any other provision of law, a policy of insurance covering commercial property or casualty risks in this Commonwealth shall provide for not less than 30 days advance notice to the named insured of an increase in renewal premium. This section does not apply to policies written on a retrospective rating plan. The Company did not provide at least 30 days advance notice to the named insured of an increase in renewal premium for the 8 files noted.

E. Commercial Automobile

1. Midterm Cancellations

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

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

The universe of 15 commercial automobile policies cancelled midterm during the experience period was selected for review. All 15 files were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 20%.

The following findings were made:

3 Violations 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 return the unearned premium to the insured within 30 days after the effective date of termination for the 3 files 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 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 146 commercial automobile policies renewed during the experience period, 20 files were selected for review. All 20 files were received and reviewed. No violations were noted.

F. Workers' Compensation

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 purpose of the review was to determine compliance with Insurance Company Law, Section 653 (40 P.S. §813), which prohibits cancellation

with exceptions for nonpayment of premium or by request of the insured.

The universe of one workers' compensation policy cancelled within the first 60 days of new business was selected, 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 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 31 workers' compensation policies identified as midterm cancellations was selected for review. All 31 files were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 10%.

The following findings were made:

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

The midterm cancellation notice shall be forwarded by registered or first class mail or delivered by the insurance company directly to the named insured or insureds. The Company did not provide any documentation in the 3 files noted to indicate a notice of cancellation was mailed to the insured, the reason for cancellation or if the notice met format

requirements.

3. Renewals

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

The purpose of the review was to measure compliance with Act 86, Section 1 (40 P.S. §3401), which requires 30 days advance notice of an increase in renewal premium.

From the universe of 319 workers' compensation policies which were renewed during the experience period, 20 files were selected for review. All 20 files were received and reviewed. No violations were noted.

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.

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 – New Business Without Surcharges

The universe of 5 private passenger automobile policies identified as new business without surcharges was selected for review. All 5 files were received and reviewed. The 39 violations noted were based on 5 files, resulting in an error ratio of 100%.

The following findings were made:

5 Violations Title 75, Pa. C.S. §1738(c)(d)(1)&(2)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company did not provide the signed rejection form of stacked limits for uninsured and underinsured motorists coverage for the 5 files noted.

5 Violations Title 75, Pa. C.S. §1791

Requires the Company to advise the insured of the benefits and limits available under this Chapter in bold print of at least ten-point type at the time of application for original coverage. The Company did not provide the required wording at the time of application for the 5 files noted.

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

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to

purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured's existing coverages. The Company failed to provide the required itemized minimum invoice listing the minimum mandated coverages and premiums at the time of application for the 5 files noted.

5 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 required notice of tort options to the insured at the time of application for the 5 files noted.

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

Requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2. The Company failed to provide the required notice of premium discounts at the time of application.

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

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The Company failed to provide the required surcharge disclosure plan at the time of application.

5 Violations Title 75, Pa. C.S. §1725

Every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided a notice but it did not meet the requirements.

1 Violation Title 75, Pa. C.S. §1734

A named insured may request in writing the issuance of coverages under Section 1731 (relating to availability, scope and amount of coverage) in an amount equal to or less than the limits of liability for bodily injury. The Company failed to provide the written request for lower limits of uninsured and underinsured coverage for the file noted.

1 Violation Title 75, Pa. C.S. §1792(b)(1)

Requires every private passenger automobile insurance policy providing collision coverage to provide a deductible in the amount of \$500.00 for collision coverage, unless the named insured signs a statement indicating the insured is aware that the purchase of a lower deductible is permissible and that there is an additional cost of purchasing a lower deductible and the insured agrees to accept it. The Company failed to provide a signed statement from the insured requesting a deductible of less than \$500.

2 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 failed to rate the 2 policies in accordance with filed and approved rates. The physical damage coverages were not rated correctly, resulting in undercharges of \$54.34.

Private Passenger Automobile - New Business With Surcharges

The universe of 1 private passenger automobile policy identified as new business with surcharges by the Company was selected for review. The file was received and reviewed. The 10 violations noted were based on 1 file, resulting in an error ratio of 100%.

The following findings were made:

1 Violation Title 75, Pa. C.S. §1738(c)(d)(1)&(2)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company did not provide the signed rejection form of stacked limits for uninsured and underinsured motorists coverage for the file noted.

1 Violation Title 75, Pa. C.S. §1791

Requires the Company to advise the insured of the benefits and limits available under this Chapter in bold print of at least ten-point type at the time of application for original coverage. The Company did not provide the required wording at the time of application for the file noted.

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

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in

excess of the limits required by law are provided only at your request as enhancements to basic coverages.” The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured’s existing coverages. The Company failed to provide the required itemized minimum invoice listing the minimum mandated coverages and premiums at the time of application for the file noted.

1 Violation 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 required notice of tort options to the insured at the time of application for the file noted.

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

Requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2. The Company failed to provide the required notice of premium discounts at the time of application.

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

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge

information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The Company failed to provide the required surcharge disclosure plan at the time of application.

1 Violation Title 75, Pa. C.S. §1705(a)(1)&(4)

Requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy may not be issued unless the applicant has been provided an opportunity to elect a tort option. The violation noted was the result of a policy issued with limited tort and no evidence of a signed limited tort selection form.

1 Violation Act 68, Section 2005(c) [40 P.S. §991.2005(c)]

All insurers shall provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of a 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.

AND

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 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.

1 Violation Title 75, Pa. C.S. §1725

Every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided a notice but it did not meet the requirements.

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 failed to rate the policy in accordance with filed and approved rates. The uninsured and underinsured motorists coverages were not rated correctly, resulting in an overcharge of \$58.

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 211 private passenger automobile policies renewed without surcharges during the experience period, 50 files were selected for

review. All 50 files were received and reviewed. The 847 violations noted were based on the universe of 211 files, resulting in an error ratio of 100%.

The following findings were made:

*77 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 77 violations were the result of policies being issued with an improper territory which resulted in undercharges of \$89,986 and overcharges of \$1,399.83.

*137 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 failed to rate the policies in accordance with their filed and approved rates. Physical damage coverages were not rated correctly, resulting in undercharges of \$5,755.55.

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

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

211 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 renewal.

211 Violations Title 75, Pa. C.S. §1725

Every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided a notice but it did not meet the requirements.

Private Passenger Automobile – Renewals With Surcharges

The universe of 13 private passenger automobile policies renewed with surcharges during the experience period was selected for review. All 13 files were received and reviewed. The 70 violations noted were based on 13 files, resulting in an error ratio of 100%.

The following findings were made:

12 Violations Act 68, Section 2005(c) [40 P.S. §991.2005(c)]

All insurers shall provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of a 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.

AND

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 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 the 12 files noted.

6 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 failed to rate the policies in accordance with their filed and approved rates. Physical damage coverages were not rated correctly, resulting in undercharges of \$429.

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

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-

point type: “The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages.” The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured’s existing coverages. The Company failed to provide the required itemized minimum invoice listing the minimum mandated coverages and premiums at the time of renewal.

13 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 renewal.

13 Violations Title 75, Pa. C.S. §1725

Every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided a notice but it did not meet the requirements.

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

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The Company failed to provide the required surcharge disclosure plan at the time of renewal.

B. Private Passenger Automobile – Assigned Risk

The Company is an excused carrier under the assigned risk Limited Assignment Distribution procedure. Under this procedure groups of companies not under common ownership or management may form a Limited Assignment Distribution (LAD) arrangement. Each LAD arrangement has one servicing company, which writes assigned risk business on behalf of those members, which choose to buy out from their private passenger quota. As part of this arrangement the Company wrote no assigned risk business during the experience period.

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.

The universe of 7 homeowner policies written as new business without surcharges during the experience period was selected for review. All 7 files 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.

From the universe of 252 homeowner policies renewed during the experience period, 50 files were selected for review. All 50 files were received and reviewed. The 6 violations noted were based on 6 files, resulting in an error ratio 12%.

The following findings were made:

*6 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 failed to rate the policies in accordance with their filed and approved rates. The policies were rated with an improper territory which resulted in undercharges of \$1,380 and overcharges of \$927.77.

D. Tenant 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.

The universe of 5 tenant homeowner policies written as new business without surcharges during the experience period was selected for review. All 5 files 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.

The universe of 21 tenant homeowner policies renewed during the experience period was selected for review. All 21 files 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 First Party Medical Claims
- E. Automobile First Party Medical Claims Referred to a PRO
- F. Homeowner Claims
- G. Tenant Homeowner 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 25 private passenger automobile property damage claims reported during the experience period, 15 files were selected for review. All 15 files were received and reviewed. No violations were noted.

B. Automobile Comprehensive Claims

From the universe of 18 private passenger automobile comprehensive claims reported during the experience period, 10 files were selected for review. All 10 files were received and reviewed. No violations were noted.

C. Automobile Collision Claims

From the universe of 55 private passenger automobile collision claims reported during the experience period, 25 files were selected for review. All 25 files were received and reviewed. No violations were noted.

D. Automobile First Party Medical Claims

The universe of 11 private passenger automobile first party medical claims reported during the experience period was selected for review. All 11 files were received and reviewed. The violation noted resulted in an error ratio of 9%.

The following finding was made:

1 Violation Title 31, Pa. Code, Section 69.42

An insurer shall make payments to providers in accordance with the Medicare Program as applied in this Commonwealth by the carrier and intermediaries. Care covered under the Medicare Program shall be reimbursed at 110% of the Medicare payment or a different allowance as may be determined under §69.12(b). Medicare co-insurance and deductibles may not be excluded in payments made by the insurer.

AND

Title 31, Pa. Code, Section 69.43

An insurer shall pay the provider's usual and customary charge for services rendered when the charge is less than 110% of the Medicare payment or a different allowance as may be determined under §69.12(b). An insurer shall pay 80% of the provider's usual and customary charge rendered if no Medicare payment exists. In calculating the usual and customary charge, an insurer may utilize the requested payment amount on the provider's bill for services or the data collected by the carrier or intermediaries to the extent that the data is made available. An insurer shall provide a complete explanation of the calculations made in computing its determination of the amount payable including whether the calculation is based on 110% of the Medicare payment, 80% of the usual and customary charge or at a different allowance determined by the Commissioner under §69.12(b). A bill submitted by the provider delineating the services rendered and the information from which a determination could be made by the insurer as to the appropriate payment amount will not be construed as a demand for payment in excess of the permissible payment amount. The Company failed to have medical bills repriced or adjusted for cost containment.

E. Automobile First Party Medical Claims Referred to a PRO

The Company did not report any first party medical claims files referred to a PRO within the experience period. The Company was asked to provide a copy of all peer review contracts in place during the experience period.

The Company advised they did not have any contracts in place.

The following finding was made:

1 Violation Title 31, Pa. Code, Section 69.53(a)

A Peer Review Organization shall contract, in writing, jointly or separately with an insurer for the provision of peer review services as authorized by Act 1990-6 and this chapter.

AND

Title 75, Pa. C.S. §1797(b)(1)

Peer review plan for challenges to reasonableness and necessity of treatment. Peer review plan. Insurers shall contract jointly or separately with any peer review organization established for the purpose of evaluating treatment, health care services, products or accommodations provided to any injured person. Such evaluation shall be for the purpose of confirming that such treatment, products, services or accommodations conform to the professional standards of performance and are medically necessary. An insurer's challenge must be made to a PRO within 90 days of the insurer's receipt of the provider's bill for treatment or services or may be made at any time for continuing treatment or services. The Company did not have a contract in place with an approved peer review organization.

F. Homeowner Claims

From the universe of 27 homeowner claims reported during the experience period, 15 files were selected for review. All 15 files were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 20%.

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 a timely status letter for the 3 claims noted.

G. Tenant Homeowner Claims

The universe of 1 tenant homeowner claim reported during the experience period was selected for review. The file was received and reviewed. No violations were 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 Title 75, Pa. C.S. §1822, which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage.

The following findings were 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 a workers' compensation application.

Automobile Rating – Renewals Without Surcharges

211 Violations Title 75, Pa. C.S. §1822

Warning notice on application for insurance and claim forms. Not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a statement that clearly states in substance the following: "Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000." The Company did not provide the fraud warning at renewal.

Automobile Rating – Renewals With Surcharges

13 Violations Title 75, Pa. C.S. §1822

Warning notice on application for insurance and claim forms. Not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a statement that clearly states in substance the following: "Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000." The Company did not provide the fraud warning at renewal.

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 advertising materials which included: the corporate website, power point education seminars, newspaper ads, phone book ads, customer brochures for personal and commercial lines, pre-approved advertising for radio clips, direct mailing and billboards. The direct mailing pieces included envelope stuffers and pre-approved solicitation letters. 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 did not report any complaints during the experience period. The Company maintains a complaint register which meets the requirements of Act 205.

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.

No violations were noted.

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 Title 31, Pa. Code, §61.4 and 61.5, so that the violations noted in the Report do not occur in the future.
2. The Company must review and revise internal control procedures to ensure compliance with cancellation notice requirements of Act 68, Section 2006 [40 P.S. §991.2006], so that the violations noted in the Report do not occur in the future.
3. The Company must review Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)] to ensure that the violation regarding the requirement for cancellation notices, as noted in the Report, does not occur in the future.
4. The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation requirements of Act 86, Sections 3 and 4 [40 P.S. §§3403 and 3404], so that the violations noted in the Report do not occur in the future.
5. The Company must revise and reissue their underwriting guidelines for use in Pennsylvania to ensure that guidelines do not require supporting coverage

6. The Company must review Act 86, Section 1 [40 P.S. §3401], to ensure that violations regarding notification to the insured of an increase in premium do not occur in the future.
7. The Company must revise underwriting procedures to ensure that the insured is aware that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. This is to ensure that violations noted under Title 75, Pa. C.S. §1738(d)(1) and (2) do not occur in the future.
8. The Company must review Title 75, Pa. C.S. §1791.1(a) and (b) violations to ensure that an itemized invoice listing minimum coverages and tort options are provided at the time of application and every renewal thereafter as noted in the Report do not occur in the future.
9. The Company must review Title 75, Pa. C.S. §1791 violations to ensure that the notice of available benefits is given to the insured at the time of application as noted in the Report.
10. The Company must review Title 75, Pa. C.S. §1734 to ensure that the insured signs a request for lower limits of liability for uninsured and underinsured motorist coverage and a copy kept in files as noted in the Report.
11. The Company must revise underwriting procedures to ensure that the insured is aware that there is an additional cost for purchasing a lower deductible for collision coverage. This is to ensure that violations noted under Title 75, Pa. C.S. §1792(b)(1) do not occur in the future.

12. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option and that signed tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. §1705(a)(1)(4) do not occur in the future.
13. The Company must review Title 75, Pa. C.S. §1791.1(c) to ensure that violations regarding the requirement to provide notice to insureds stating that discounts are available for drivers, as noted in the Report, do not occur in the future.
14. The Company must review Title 75, Pa. C.S. 1793(b) to ensure that violations regarding the requirement to provide the insured with a surcharge disclosure plan at the time of application, as noted in the Report, do not occur in the future.
15. When a surcharge is imposed on a private passenger automobile policy the Company must specify the manner in which the surcharge was made and clearly identify the amount of the surcharge and give notice to the insured. This procedure must be implemented within 30 days of the Report issue date. This is to ensure that violations noted under Act 68, Section 2005(c) [40 P.S. §991.2005(c)] and Title 75, Pa. C.S. §1799.3(d) do not occur in the future.
16. The Company must review Act 246, Section 4(a) and (h) [40 P.S. §1184] and take appropriate measures to ensure the homeowner rating violations listed in the report do not occur in the future.

17. The premium overcharges noted in the rating section of this report must be refunded to the insureds and proof of such refunds must be provided to the Insurance Department within 30 days of the report issue date.
18. The Company must review Title 75, Pa. C.S. §1725 to ensure that a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage shall be printed on the first page of the policy in boldface capital letters.
19. On policies in which either uninsured or underinsured coverage has been rejected, the policy renewal must contain notice in prominent type that the policy does not provide protection against damages caused by uninsured or underinsured motorists. This 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. §1731(c)(1) do not occur in the future.
20. The Company must ensure that all applications and renewals contain a statement that clearly states in substance the following: “Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete information or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000.” This is to ensure that violations noted under Title 75, Pa. C.S. §1822 do not occur in the future.
21. 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 status letters, as noted in the Report, do not occur in the future.

22. The Company must review Title 31, Pa. Code, Section 69.53(a) and Title 75, Pa. C.S. §1797(b)(1) with its claim staff to ensure that a written contract is in place with an approved peer review organization established for the purpose of evaluating treatment, health care services, products or accommodations provided to any injured person. Such evaluation shall be for the purpose of confirming that such treatment, products, services or accommodations conform to the professional standards of performance and are medically necessary.
23. The Company must review Title 31, Pa. Code, Sections 69.42 and 69.43 with its claim staff to ensure that provider bills are repriced for cost containment as required.
24. The Company must revise and reissue their underwriting guidelines for use in Pennsylvania to ensure that the guidelines do not exclude applicants from being eligible to obtain insurance for reasons established in Act 205, Section 5(a)(7)(iii) [40 P.S. 1171.5(a)(7)(iii)].
25. The Company must review Title 75, Pa. C.S. §1786(e)(3) to ensure the Department of Transportation is notified no later than ten days following the effective date of a private passenger automobile cancellation.

XIII. COMPANY RESPONSE

Pharmacists Mutual[®] Companies

- Pharmacists Mutual Insurance Company
 - Pharmacists Life Insurance Company
 - Pro Advantage Services, Inc.
- d/b/a Pharmacists Insurance Agency (in California)
CA License No. 0G22035

April 24, 2009

Mr. Chester A. Derk Jr.
Market Conduct Division Chief
Commonwealth of Pennsylvania
Insurance Department
Strawberry Square
Harrisburg PA 17120

cderk@state.pa.us

717-787-4373

**Re: Pharmacists Mutual Insurance Company
Federal I.D. No. 42-0223390; NAIC Company No. 13714
Examination Warrant Number 08-M19-015
Response to Report of Examination**

Dear Mr. Derk:

I enclose the response of Pharmacists Mutual Insurance Company to the Report of Examination for Warrant No. 08-M19-015.

I too would like to thank you and your staff for the courtesy and cooperation during this examination and look forward to reaching an appropriate resolution of the issues. Pharmacists Mutual takes these matters very seriously and wishes to conduct its business in a compliant manner.

Please contact me if you have any questions or comments about this letter and its enclosures. Thank you for your continuing courtesies and cooperation herein.

Sincerely,

PHARMACISTS MUTUAL INSURANCE COMPANY



Karen Lierley, J.D.
Assistant Vice President, Compliance
Pharmacists Mutual Insurance Company
808 US Highway 18 W, P O Box 370
Algona IA 50511
515-395-7262 -- 800-247-5930, Ext. 7262
BB 515-341-6308
Karen.Lierley@phmic.com

KL:rmv
Enclosures

XIII COMPANY RESPONSE

For convenience, the Company tracks below quoted sections of the Report of Examination covering the period July 1, 2007 through June 30, 2008 with the Company responses set out below.

III. COMPANY HISTORY AND LICENSING

* * *

LICENSING

Pharmacists Mutual Insurance Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2008. The Company is licensed in all states except Alaska, California, Florida, Hawaii and New York.

* * *

For clarification the Company is licensed in Alaska (July 1, 2007), California (June 27, 2007) and New York (September 30, 2008).

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. Agency bulletins and underwriting guides were furnished for private passenger automobile, personal lines property and commercial lines. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

The following findings were made:

7 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 omitting, 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's private passenger automobile guidelines indicated all auto policies require supporting coverages. The Commercial automobile guidelines for new business indicated the Company will not accept any commercial auto business that does not have supporting commercial insurance also being written. The existing business indicated in order to continue coverage after the anniversary date the following conditions must be met: (1) the business insurance is not being provided by another insurance company. The Company's boat owner's guidelines indicated at least one of the following supporting coverages is required: (a) auto policy (b) homeowners, mobile homeowners or renters (c) business coverages written through the commercial department. The Company's homeowner's guidelines referenced 3 separate instances of requiring supporting business for dwelling fire coverage, seasonal homes and ineligible mobile homes.

In oral discussions with the Department in 2003 and 2005, the Company understood the Department to say that supporting coverage could be required for personal lines initial underwriting but a policy could not be nonrenewed for subsequent lack of support. The Company also understood that supporting coverage could be required both at initial underwriting and at renewal. The Company regrets the error and has changed its guidelines to comport with the current advice of the Department.

3 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 dwelling fire guidelines referenced student housing and transients as 2 unacceptable occupations and senior citizen housing as an unacceptable risk, which could discriminate by age.

The intent of the guidelines was not to discriminate by age and the Company believes it has never engaged in age discrimination. The Company respectfully submits that it is clear that the intent was to not accept risks involving commercial enterprises engaged in the business of providing commercial housing. (See other unacceptable risks such as "Dwellings converted for business use" and "Temporary housing or housing for transients.") The Company has removed the referenced guidelines.

V. UNDERWRITING

A. Private Passenger Automobile

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

The universe of 41 private passenger automobile files identified as midterm cancellations by the Company was selected for review. All 41 files were received and reviewed. The 77 violations noted were based on 41 files, resulting in an error ratio of 100%.

The following findings were made:

4 Violations Title 31, Pa. Code, §61.4

Notice of cancellation or refusal to renew. Forms of notices of cancellation or refusal to renew shall be filed and approved by the Insurance Commissioner prior to use. The Company failed to file and receive approval of the cancellation notice prior to use for the 4 files noted.

4 Violations Title 31, Pa. Code, §61.5

Notice of cancellation or refusal to renew requirements: The form shall be clearly labeled: "Notice of Cancellation or Refusal to Renew". The company failed to properly label the cancellation notice for the 4 files noted.

4 Violations Act 68, Section 2006(1) [40 P.s. §991.2006(1)]

Requires that a cancellation notice be in a form acceptable to the Insurance Commissioner. The Company failed to use a cancellation form acceptable to the Insurance Commissioner.

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

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. The 4 files noted contained cancellation notices for nonpayment of premium, but did not provide 15 days from the date of mailing.

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

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the specific reason or reasons of the insurer for cancellation. The Company failed to provide a specific reason for cancellation for the 4 files noted.

4 Violations Act 68, Section 2006(4) [40 PS §991.2006(4)]

Requires that a cancellation notice advise the insured of his right to request in writing that the Insurance Commissioner review the action of the insurer. The Company failed to provide the required 30 day right of review by the Insurance Commissioner.

4 Violations Act 68, Section 2006(5) [40 PS §991.2006(5)]

Requires that either in the cancellation notice or in an accompanying statement, the insured be advised of this possible eligibility for insurance through the automobile assigned risk plan. The Company failed to advise the insured of his or her eligibility for insurance through the assigned risk plan on the cancellation notice for the 4 files noted.

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

Requires that a cancellation notice advise the insured that he must obtain compulsory automobile insurance coverage if he operates or registers a motor vehicle in this Commonwealth and that the insurer is notifying the Department of Transportation that the insurance is being cancelled and the insured must notify the Department of Transportation that he has replaced said coverage. The Company failed to inform the insured regarding compulsory automobile insurance on the cancellation notice for the 4 files noted.

4 Violations Act 68, Section 2006(7) [40 PS §991.2006(7)]

Requires that a cancellation notice clearly state that when coverage is to be terminated due to nonresponse to a citation 10 imposed under 75 Pa. C.S. §1533 (relating to suspension of operating privilege for failure to respond to a citation) or nonpayment of a fine or penalty imposed under that section, coverage shall not terminate if the insured provides the insurer with proof that the insured has responded to all citations and paid all fines and penalties and that he has done so on or before the termination date of the policy. The Company failed to include the required information on the cancellation notice regarding a citation imposed under Title 75, Pa. C.S. § 1533 for the 4 files noted.

This response covers the above 9 citations of 4 violations. The Company uses a vendor's reference-filed forms for all nonrenewals and for all

cancellations except for cancellations for nonpayment. (It is noted that the Department did not find any violations for the other cancellations and nonrenewals for which the Company used the vendor's reference-fled forms.) For cancellations for nonpayment, the Company erroneously used Company-written forms that were not filed with the Insurance Commissioner and contained the 9 errors cited – although the Company did give more than 30 days' notice albeit in a nonacceptable format. The Company respectfully submits that it is being cited multiple times for what is essentially one error. The Company respectfully requests that the Department take that into consideration when assessing any fine. This error has been rectified.

41 Violations Title 75, Pa C.S. §1786(e)(3)

An insurer who has issued a contract of motor vehicle liability insurance and knows or has reason to believe that the contract is only for the purpose of providing proof of financial responsibility shall notify the Department of Transportation if the insurance has been canceled or terminated by the insured or by the insurer. The insurer shall notify the Department not later than ten days following the effective date of the cancellation or termination. The Company failed to notify the Department of Transportation within 10 days as required.

The Company concedes this failure and has taken steps to correct the problem. In the Company's defense, the Company had made several attempts to do the electronic filing and could not solve certain technical problems.

B. Private Passenger Automobile - Assigned Risk

* * *

The Company is gratified that no errors were found.

C. Property

1. 60-Day Cancellations

* * *

The Company is gratified that no errors were found.

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.

The universe of 43 property policies which were cancelled midterm during the experience period was selected for review. The property policies consisted of homeowners and tenant homeowners. All 43 files were received and reviewed. The 35 violations noted were based on 7 files, resulting in an error ratio of 16%.

The following findings were made:

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

Requires that a cancellation notice be approved as to form by the Insurance Commissioner prior to use. The Company failed to use a form approved by the Insurance Commissioner.

7 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 failed to provide 30 days notice of cancellation for the 7 files

noted.

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

Requires that a cancellation notice shall state the specific reason or reasons of the insurer for cancellation. The Company failed to provide a specific reason for cancellation for the 7 files noted.

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

Requires that a cancellation notice shall advise the insured of his right to request, in writing, within ten days of the receipt of the notice of cancellation or intention not to renew that the Insurance Commissioner review the action of the insurer. The Company failed to advise the insured of their right of review by the Insurance Commissioner for the 7 files noted.

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

Requires that a cancellation notice shall advise the insured of his possible eligibility for insurance under the act of July 31, 1968 (P.L. 738, No. 233), known as "The PA Fair Plan Act". The Company did not advise the insured of his possible eligibility under the Fair Plan for the 7 files noted.

This response covers the above 5 citations of 7 violations. The Company uses a vendor's reference-filed forms for all nonrenewals and for all cancellations except for cancellations for nonpayment. (It is noted that the Department did not find any violations for the other cancellations and nonrenewals for which the Company used the vendor's reference-filed forms.) For cancellations for nonpayment, the Company erroneously used Company-written forms that were not filed with the Insurance Commissioner and contained the 5 errors cited – although the Company did give more than 30 days' notice albeit in a nonacceptable format. The Company respectfully submits that it is being cited multiple times for what is essentially one error. The Company respectfully requests that the

Department take that into consideration when assessing any fine. This error has been rectified.

D. Commercial Property

1. 60-Day Cancellations

* * *

The Company is gratified that no errors were found.

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 39 commercial property policies cancelled midterm during the experience period, 18 files were selected for review. The commercial property files consisted of commercial package, commercial inland marine and tenant occupied dwelling fire. All 18 files were received and reviewed. The 12 violations noted were based on 3 files, resulting in an error ratio of 17%.

The following findings were made:

3 Violations Act 86, Section 3 (a) (4) [40 Ps. §3403(a)(4)]

Requires that a cancellation notice be clearly labeled "Notice of Cancellation". The Company failed to clearly label "Notice of Cancellation" for the 3 files noted.

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

Requires that a cancellation notice shall state the specific reasons for cancellation. The reasons shall identify the condition, factor or loss experience, which caused the

cancellation. The notice shall provide sufficient information or data for the insured to correct the deficiency. The Company did not provide a specific reason for cancellation for the 3 files noted.

3 Violations Act 86, Section 3(a)a(ii) [40 Ps. §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 failed to provide 15 days notice of cancellation for nonpayment of premium.

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

Requires that a cancellation notice shall state that at the insured's request, the insurer shall provide loss information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less. The Company did not provide an offer of loss information on the notice as required for the 3 files noted.

This response covers the above 4 citations of 3 violations. The Company uses a vendor's reference-filed forms for all nonrenewals and for all cancellations except for cancellations for nonpayment. (It is noted that the Department did not find any violations for the other cancellations and nonrenewals for which the Company used the vendor's reference-filed forms.) For cancellations for nonpayment, the Company erroneously used Company-written forms that were not filed with the Insurance Commissioner and contained the 4 errors cited – although the Company did give adequate notice albeit in a nonacceptable format. The Company

respectfully submits that it is being cited multiple times for what is essentially one error. The Company respectfully requests that the Department take that into consideration when assessing any fine. This error has been rectified.

3. Nonrenewals

* * *

The Company is gratified that no errors were found.

4. 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 611 commercial property policies renewed during the experience period, 45 files were selected for review. The commercial property policies consisted of tenant occupied dwelling fire, commercial inland marine and commercial package. All 45 files were received and reviewed. The 8 violations noted were based on 8 files, resulting in an error ratio of 18%.

The following findings were made:

8 Violations Act 86, Section 1 [40 Ps. §3401]

This section provides that notwithstanding any other provision of law, a policy of insurance covering commercial property or casualty risks in this Commonwealth shall provide for not less than 30 days advance notice to the named insured of an increase in renewal premium. This section does not apply to policies written on a retrospective rating plan. The Company did not provide at least 30 days advance notice to the named insured of an increase in renewal premium for the 8 files noted.

The Company concedes this failure and has taken steps to correct the problem.

E. Commercial Automobile

1. Midterm Cancellations

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

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

The universe of 15 commercial automobile policies cancelled midterm during the experience period was selected for review. All 15 files were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 20%.

The following findings were made:

3 Violations Act 86, Section 4(b) 140 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 return the unearned premium to the insured within 30 days after the effective date of termination for the 3 files noted.

As shown in the documentation previously submitted, the Company concedes only one error. The Company respectfully submits that it did return the unearned premium to the insured not later than 30 days after termination date for the first two policies. Specifically, the Company did as follows for each policy. For the first policy, the policy was cancelled as of April 1, 2008 at the request of the insured, but the signed cancellation

request was not received until July 7, 2008. The Company computed unearned premium back to April 1, 2008 and a check for unearned premium was issued on July 11, 2008. For the second policy, the policy was issued effective April 9, 2008 at the request of the insured. The cancellation was a flat cancellation because the insured did not make any payment for the policy, the effective date of which was April 9, 2008. The Company concedes the error for the third policy.

2. Renewals

* * *

The Company is gratified that no errors were found.

F. Workers' Compensation

* * *

The Company is gratified that no errors were found.

2. 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 31 workers' compensation policies identified as midterm cancellations was selected for review. All 31 files were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 10%.

The following findings were made:

3 Violations Act 86, Section 3(a)(1) [40 Ps. §3401]

The midterm cancellation notice shall be forwarded by registered or first class mail or delivered by the insurance company directly to the named insured or insureds. The

Company did not provide any documentation in the 3 files noted to indicate a notice of cancellation was mailed to the insured, the reason for cancellation or if the notice met format requirements.

This response covers the above 3 violations. The Company uses a vendor's reference-filed forms for all nonrenewals and for all cancellations except for cancellations for nonpayment. (It is noted that the Department did not find any violations for the other cancellations and nonrenewals for which the Company used the vendor's reference-filed forms.) For cancellations for nonpayment, the Company erroneously used Company-written forms. This error has been rectified.

3. Renewals

* * *

The Company is gratified that no errors were found.

VI. RATING

A. Private Passenger Automobile

1. New Business

* * *

Private Passenger Automobile - New Business Without Surcharges

The universe of 5 private passenger automobile policies identified as new business without surcharges was selected for review. All 5 files were received and reviewed. The 39 violations noted were based on 5 files, resulting in an error ratio of 100%.

The following findings were made:

5 Violations Title 75, Pa. C.S. §1738(C)(d)(1)&(2)

The named insured shall be informed that he may exercise the waiver of stacked limits

for uninsured and underinsured motorist coverage by signing written rejection forms. The Company did not provide the signed rejection form of stacked limits for uninsured and underinsured motorists coverage for the 5 files noted.

5 Violations Title 75, Pa. C.S. §17911

Requires the Company to advise the insured of the benefits and limits available under this Chapter in bold print of at least ten-point type at the time of application for original coverage. The Company did not provide the required wording at the time of application for the 5 files noted.

5 Violations Title 75, Pa C.S. §1191.1(a)

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured's existing coverages. The Company Failed to provide the required itemized minimum invoice listing the minimum mandated coverages and premiums at the time of application for the 5 files noted.

5 Violations Title 75, Pa. C.S §17fl.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 required notice of two options to the insured at the time of application for the 5 files noted.

5 Violations Title 75, Pa. C.S. §17fl.1(c)

Requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 17919.1 and 1799.2. The Company failed to provide the required notice of premium discounts at the time of application.

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

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The Company failed to provide the required surcharge disclosure plan at the time of application.

5 Violations Title 75, Pa. C.S. §1725

Every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided a notice but it did not meet the requirements.

1 Violation Title 75, Pa. C.S. §1734

A named insured may request in writing the issuance of coverages under Section 1731 (relating to availability, scope and amount of coverage) in an amount equal to or less than the limits of liability for bodily injury. The Company failed to provide the written request for lower limits of uninsured and underinsured coverage for the file noted.

1 Violation Title 75, Pa. C.S. §1792(b)(1)

Requires every private passenger automobile insurance policy providing collision coverage to provide a deductible in the amount of \$500.00 for collision coverage, unless the named insured signs a statement indicating the insured is aware that the purchase of a lower deductible is permissible and that there is an additional cost of purchasing a lower

deductible and the insured agrees to accept it. The Company failed to provide a signed statement from the insured requesting a deductible of less than \$500.

The Company concedes the above 9 citations of violations and has taken steps to correct the problems.

2 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 failed to rate the 2 policies in accordance with filed and approved rates. The physical damage coverages were not rated correctly, resulting in undercharges of \$54.34.

The Company concedes the immediately preceding violations. The errors occurred because rate revisions were not implemented properly. The Company respectfully asks the Department to take into consideration that this was essentially one error. Additionally, no policyholders were overcharged

Private Passenger Automobile - New Business With Surcharges

The universe of 1 private passenger automobile policy identified as new business with surcharges by the Company was selected for review. The file was received and reviewed. The 10 violations noted were based on 1 file, resulting in an error ratio of 100%.

The following findings were made:

1 Violation Title 75, Pa. C.S. §1738(c)(d)(1)&(2)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company did not provide the signed rejection form of stacked limits for uninsured and underinsured motorists coverage for the file noted.

1 Violation Title 75, P.A.C.S. §1791

Requires the Company to advise the insured of the benefits and limits available under this Chapter in bold print of at least ten-point type at the time of application for original coverage. The Company did not provide the required wording at the time of application for the file noted.

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

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

1 Violation 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 required notice of tort options to the insured at the time of application for the file noted.

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

Requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2. The Company failed to provide the required notice of premium discounts at the time of application.

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

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The Company failed to provide the required surcharge disclosure plan at the time of application.

1 Violation Title 75, Pa. C.S §1705(a)(J)&(4)

Requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy may not be issued unless the applicant has been provided an opportunity to elect a tort option. The violation noted was the result of a policy issued with limited tort and no evidence of a signed limited tort selection form.

1 Violation Act 68, Section 20051c) [40 P.s. §991.2005(c)]

All insurers shall provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of a 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.

AND

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 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.

1 Violation Title 75, Pa. C.S. §1725

Every motor vehicle insurance policy shall contain a notice as to whether the policy

covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided a notice but it did not meet the requirements.

I 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 failed to rate the policy in accordance with filed and approved rates. The uninsured and underinsured motorists coverages were not rated correctly, resulting in an overcharge of \$58.

The Company concedes the above 10 citations of violations and has taken steps to correct the problems. The Company has refunded the one policy that was overcharged.

2. Renewals

* * *

Private Passenger Automobile - Renewals Without Surcharges

From the universe of 211 private passenger automobile policies renewed without surcharges during the experience period, 50 files were selected for review. All 50 files were received and reviewed. The 847 violations noted were based on the universe of 2111 files, resulting in an error ratio of 100%

The following findings were made:

77 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 I 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 77 violations were the result of policies being issued with an improper territory which resulted in undercharges of \$89,986 and overcharges of \$ 1,399.83.

The Company concedes the immediately preceding violations. The errors occurred because the Company experienced problems with territorial rating for private passenger automobile in the days before internet maps were available. The Company respectfully asks the Department to take into consideration that this was essentially one error. Additionally, the two policyholders' overcharges have been refunded.

137 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 failed to rate the policies in accordance with their filed and approved rates. Physical damage coverages were not rated correctly, resulting in undercharges of \$5,755.55.

The Company concedes the immediately preceding violations. The errors occurred because rate revisions were not implemented properly. The Company respectfully asks the Department to take into consideration that this was essentially one error. Additionally, no policyholders were overcharged

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

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the

Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured's existing coverages. The Company failed to provide the required itemized minimum invoice listing the minimum mandated coverages and premiums at the time of renewal.

211 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 renewal.

211 Violations Title 75, Pa. C.S. §1725

Every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided a notice but it did not meet the requirements.

The Company concedes the three sets of immediately preceding violations. Steps have been and are being taken to correct the errors.

Private Passenger Automobile - Renewals With Surcharges

The universe of 13 private passenger automobile policies renewed with surcharges during the experience period was selected for review. All 13 files were received and reviewed. The 70

violations noted were based on 13 files, resulting in an error ratio of 100%.

The following findings were made:

12 Violations Act 68, Section 2005(c) [40 P.s. §991.2005(c)]

All insurers shall provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of a 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.

AND

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 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 the 12 files noted.

The Company concedes the set of immediately preceding violations. Steps have been and are being taken to correct the errors.

6 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 failed to rate the policies in

accordance with their filed and approved rates. Physical damage coverages were not rated correctly, resulting in undercharges of \$429.

The Company concedes the sets of immediately preceding violations. Steps have been and are being taken to correct the errors. The Company notes that no policyholders were overcharged.

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

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

13 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 renewal.

13 Violations Title 75, Pa. C.S. §1725

Every motor vehicle insurance policy shall contain a notice as to whether the

policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided a notice but it did not meet the requirements.

13 *Violations Title 75, Pa. C.S. §1793(b)*

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The Company failed to provide the required surcharge disclosure plan at the time of renewal.

The Company concedes the four sets of immediately preceding violations. Steps have been and are being taken to correct the errors.

B. Private Passenger Automobile - Assigned Risk

* * *

C. Homeowners

1. New Business

* * *

The Company is gratified that no errors were found.

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.

From the universe of 252 homeowner policies renewed during the experience period, 50 files were selected for review. All 50 files were received and reviewed. The 6 violations noted were based on 6 files, resulting in an error ratio 12%.

The following findings were made:

6 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 failed to rate the policies in accordance with their filed and approved rates. The policies were rated with an improper territory which resulted in undercharges of \$1,380 and overcharges of \$927.77.

The Company concedes the immediately preceding violations. The errors occurred because the Company experienced problems with territorial rating in the days before internet maps were available. The Company respectfully asks the Department to take into consideration that this was essentially one error. Additionally, the two policyholders' overcharges have been refunded.

D. Tenant Homeowners

1. New Business

* * *

The Company is gratified that no errors were found.

2. Renewals

* * *

The Company is gratified that no errors were found.

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 Company is gratified that no errors were found.

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 First Party Medical Claims
- E. Automobile First Party Medical Claims Referred to a PRO
- F. Homeowner Claims
- G. Tenant Homeowner 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

* * *

The Company is gratified that no errors were found.

B. Automobile Comprehensive Claims

* * *

The Company is gratified that no errors were found.

C. Automobile Collision Claims

* * *

The Company is gratified that no errors were found.

D. Automobile First Party Medical Claims

The universe of 11 private passenger automobile first party medical claims reported during the experience period was selected for review. All 11 files were received and reviewed. The violation noted resulted in an error ratio of 9%.

The following finding was made:

1 Violation Title 31, Pa. Code, Section 69.42

An insurer shall make payments to providers in accordance with the Medicare Program as applied in this Commonwealth by the carrier and intermediaries. Care covered under the Medicare Program shall be reimbursed at 110% of the Medicare payment or a different allowance as may be determined under §69.12(b). Medicare co-insurance and deductibles may not be excluded in payments made by the Insurer.

AND

Title 31, Pa. Code, Section 69.43

An insurer shall pay the provider's usual and customary charge for services rendered when the charge is less than 110% of the Medicare payment or a different allowance as may be determined under §69.12(b). An insurer shall pay 80% of the provider's usual and customary charge rendered if no Medicare payment exists. In calculating the usual and customary charge, an insurer may utilize the requested payment amount on the provider's

bill for services or the data collected by the carrier or intermediaries to the extent that the data is made available. An insurer shall provide a complete explanation of the calculations made in computing its determination of the amount payable including whether the calculation is based on 110% of the Medicare payment, 80% of the usual and customary charge or at a different allowance determined by the Commissioner under §69.12(b). A bill submitted by the provider delineating the services rendered and the information from which a determination could be made by the insurer as to the appropriate payment amount will not be construed as a demand for payment in excess of the permissible payment amount. The Company failed to have medical bills repriced or adjusted for cost containment.

The Company respectfully disagrees. In documentation previously submitted is evidence that the medical bills were reviewed for repricing or adjustment for cost containment. One payment was reduced pursuant to recommendation; there was no recommended reduction on the second payment, which was for hospital services.

E. Automobile First Party Medical Claims Referred to a PRO

The Company did not report any first party medical claims files referred to a PRO within the experience period. The Company was asked to provide a copy of all peer review contracts in place during the experience period. The Company advised they did not have any contracts in place.

The following finding was made:

1 Violation Title 31, Pa. Code, Section 69.53(a)

A Peer Review Organization shall contract, in writing, jointly or separately with an insurer for the provision of peer review services as authorized by Act 1990-6 and this chapter.

AND

Title 75, Pa. C.S. §1797(b)(1)

Peer review plan for challenges to reasonableness and necessity of treatment. Peer review plan. Insurers shall contract jointly or separately with any peer review organization established for the purpose of evaluating treatment, health care services, products or accommodations provided to any injured person. Such evaluation shall be for the purpose of confirming that such treatment, products, services or accommodations conform to the professional standards of performance and are medically necessary. An insurer's challenge must be made to a PRO within 90 days of the insurer's receipt of the provider's bill for treatment or services or may be made at any time for continuing treatment or services. The Company did not have a contract in place with an approved peer review organization.

The Company concedes this violation. Through a misapprehension of the law, the Company did fail to have a contract in force with an approved PRO during the experience period. This error has been rectified.

F. Homeowner Claims

From the universe of 27 homeowner claims reported during the experience period, 15 files were selected for review. All 15 files were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 20%.

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 a timely status letter for the 3 claims noted.

The Company regrets its inadvertent violation and has and is taking steps to prevent reoccurrence.

G. Tenant Homeowner Claims

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The Company is gratified that no errors were found.

VIII. FORMS

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The Company concedes these violations. Steps have been and are being taken to correct the errors.

IX. ADVERTISING

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The Company is gratified that no errors were found.

X. CONSUMER COMPLAINTS

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The Company is gratified that no errors were found.

XI. LICENSING

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The Company is gratified that no errors were found.

XII. RECOMMENDATIONS

This Company is committed to following the recommendations of the Department. The recommendations have either been implemented or are being implemented.