

**REPORT OF  
MARKET CONDUCT EXAMINATION  
OF**

**VICTORIA FIRE & CASUALTY COMPANY**  
Highland Hills, Ohio

**AS OF  
April 21, 2011**

**COMMONWEALTH OF PENNSYLVANIA**

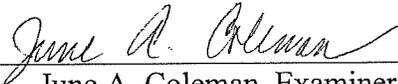


**INSURANCE DEPARTMENT  
MARKET CONDUCT DIVISION**

**Issued: June 20, 2011**

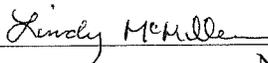
VERIFICATION

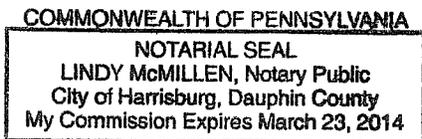
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).

  
\_\_\_\_\_  
June A. Coleman, Examiner-In-Charge

Sworn to and Subscribed Before me

This 20 Day of January, 2011

  
\_\_\_\_\_  
Notary Public



# VICTORIA FIRE & CASUALTY COMPANY

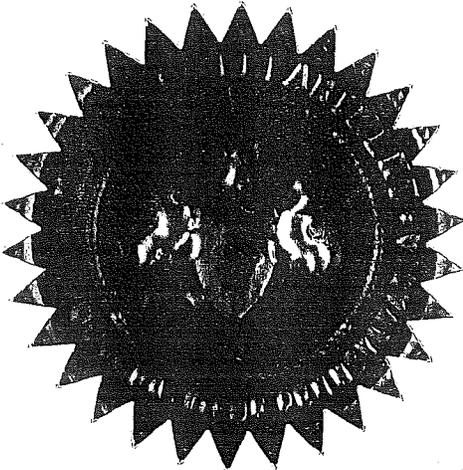
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BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 27<sup>th</sup> day of April, 2011, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Ronald A. Gallagher, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.



  
Michael F. Consedine  
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:  
: :  
VICTORIA FIRE & CASUALTY : Act 1990-6, Sections 1705(a)(1) & (4),  
COMPANY : 1731(b) & (c), 1731(c)(1), 1734,  
One West Nationwide Boulevard : 1738(c)(d)(1) & (2), 1791, 1791.1(a),  
Columbus, OH 43215 : (b) and (c), 1792(b)(1), 1793(b), and  
: 1799.3(d) (Title 75, Pa.C.S. §§ 1705,  
: 1731, 1738, 1791, 1792, 1793 and 1799)  
: :  
: Section 4 of the Unfair Insurance  
: Practices Act, Act of July 22, 1974,  
: P.L. 589, No. 205 (40 P.S. §1171.4)  
: :  
: Sections 2002(c)(3), 2004, 2006, 2006(2),  
: 2006(3) and 2008(b) of Act 68 of 1998  
: (40 P.S. §§991.2002, 991.2004, 991.2006,  
: and 991.2008)  
: :  
: Title 18, Pennsylvania Code, Section  
: 4117(k)  
: :  
: Title 31, Pennsylvania Code, Section  
: 146.5(c)  
: :  
: Title 75, Pennsylvania Consolidated  
: Statutes, Section 1822  
: :  
Respondent. : Docket No. MC11-05-003

CONSENT ORDER

AND NOW, this 20<sup>th</sup> day of June, 2011, 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 Victoria Fire & Casualty Company, and maintains its address at One West Nationwide Boulevard, Columbus, OH 43215.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from April 1, 2009 through March 31, 2010.
- (c) On April 21, 2011, the Insurance Department issued a Market Conduct Examination Report to Respondent.

- (d) A response to the Examination Report was provided by Respondent on May 19, 2011.
  
- (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 1731(b) and (c) of Act 1990-6, Title 75, Pa.C.S. § 1731, which requires the named insured to be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form;
  
  - (iii) Section 1731(c)(1) of Act 1990-6, Title 75, Pa.C.S. § 1731(c)(1), which states on policies in which either uninsured or underinsured motorist coverage has been rejected, the policy renewals must contain notice in prominent type that the policy does not provide protection against damages caused by uninsured or underinsured motorists;

- (iv) 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;
  
- (v) Section 1738(c)(d)(1) and (2) of Act 1990-6, Title 75, Pa.C.S. § 1738, which requires the named insured to be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms;
  
- (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 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;
- (xiii) Section 4 of Act 205 (40 P.S. § 1171.4), which states no person shall engage in this state in any trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to this act;

(xiv) Section 2002(c)(3) of Act 68 of 1998 (40 P.S. §991.2002), which requires that an insurer supply the insured with a written statement of the reason for cancellation;

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

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

(xvii) Section 2006(2) of Act 68 of 1998 (40 P.S. § 991.2006), which requires an insurer to deliver or mail to the named insured a nonrenewal notice and state the date, not less than 60 days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being

cancelled for nonpayment of premium, the effective date may be 15 days from the date of mailing or delivery;

(xviii) 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 nonrenewal notice and state the specific reason or reasons of the insurer for cancellation;

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

(xx) 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".

(xxi) Title 31, Pennsylvania Code, Section 146.5(c), which states an appropriate reply shall be made within ten working days on all other pertinent communications from a claimant which reasonably suggest that a response is expected; and

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

#### CONCLUSIONS OF LAW

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 Section 4 of the Unfair Insurance Practices Act, No. 205 (40 P.S. §§ 1171.5) are punishable by the following, under Section 9 of the Unfair Insurance Practices Act (40 P.S. § 1171.9):

- (i) cease and desist from engaging in the prohibited activity;
- (ii) suspension or revocation of the license(s) of Respondent.

(c) In addition to any penalties imposed by the Commissioner for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Commissioner may, under Sections 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:

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

(d) Respondent's violations of Sections 2002, 2004, 2006 and 2008 of Act 68 of 1998 are punishable by the following, under Section 2013 of the Act (40 P.S.

§ 991.2013): Any individual or insurer who violates any of the provisions of this article may be sentenced to pay a fine not to exceed five thousand dollars (\$5,000.00).

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

#### ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the 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 One Hundred Thousand Dollars (\$100,000.00) 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, Administrative Officer, Bureau of Market Actions, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

(f) After a period of 12 months from the date of this Order, Respondent shall be re-examined to verify corrective actions have been implemented.

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

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department ay 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.

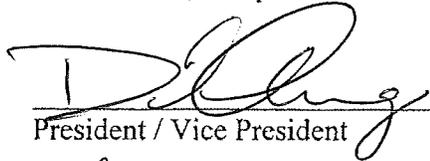
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

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: VICTORIA FIRE & CASUALTY  
COMPANY, Respondent

  
\_\_\_\_\_  
President / Vice President

  
\_\_\_\_\_  
Secretary / Treasurer

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

## I. INTRODUCTION

The market conduct examination was conducted at Victoria Fire & Casualty Company's office located in Columbus, Ohio, from August 17, through October 8, 2010. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

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

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

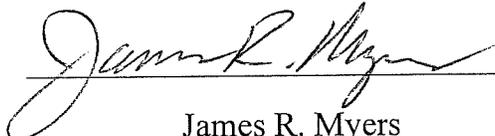
Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel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

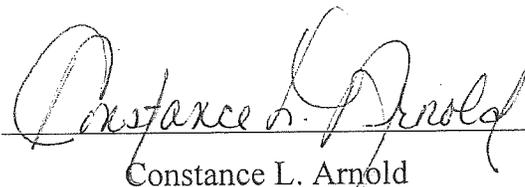
The courtesy and cooperation extended by the officers and employees of the Company during the course of the examination is hereby acknowledged.

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

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

  
\_\_\_\_\_  
June A. Coleman  
Market Conduct Examiner

  
\_\_\_\_\_  
James R. Myers  
Market Conduct Examiner

  
\_\_\_\_\_  
Constance L. Arnold  
Market Conduct Examiner

## II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Victoria Fire & Casualty Company, hereinafter referred to as “Company,” at their office located in Columbus, Ohio. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of April 1, 2009, through March 31, 2010, 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, 60-day cancellations and rescissions.
  - Rating – Proper use of all classification and rating plans and procedures.
2. Forms
3. Complaints

### III. COMPANY HISTORY AND LICENSING

Victoria Fire and Casualty Company was incorporated under the laws of Ohio, on July 11, 1983, and commenced business on August 9, 1983. Nationwide Mutual Insurance acquired THI Holdings, Inc., which owns Victoria Fire and Casualty Company on August 1, 2003.

#### LICENSING

Victoria Fire & Casualty Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2011. The Company is licensed in all states, except Alaska, Delaware, Hawaii, Louisiana, Maine, Michigan, New Hampshire, New Jersey, Rhode Island, and Vermont. The Company's 2009 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$46,207,525. Premium volume related to the areas of this review were: Private Passenger Automobile Direct Written Premium was reported as Private Passenger Auto No-Fault (personal injury protection) \$6,824,707; Other Private Passenger Auto Liability \$25,327,836 and Private Passenger Auto Physical Damage \$12,635,905.

#### *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. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

## V. UNDERWRITING

### A. Private Passenger Automobile

#### 1. 60-Day Cancellations

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

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

From the universe of 151 private passenger automobile files identified as being cancelled in the first 60 days of new business, 25 files were selected for review. All 25 files were received and reviewed. The 23 violations noted were based on 18 files, resulting in an error ratio of 72%.

The following findings were made:

#### *18 Violations Act 68, Section 2008(b) [40 P.S. §991.2008(b)]*

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance

Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The Company failed to provide a specific reason for cancellation for the 18 files noted.

*5 Violations Act 68, Section 2002(c)(3) [40 P.S. §991.2002(c)(3)]*  
*Adjudications: Tampa v. State Farm (P91-06-01, 1991)*  
*Gorba v. Allstate (P92-02-92, 1993)*  
*Liberty Mutual v. Leibach (P193-01-02 (1994)*

Requires that an insurer supply the insured with a written statement of the reason for cancellation. The 5 policies were cancelled within the first 60 days of new business and did not contain evidence of the required 15 days notice.

## 2. Midterm Cancellations

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

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

From the universe of 25,579 private passenger automobile files identified as midterm cancellations, 250 files were selected for review. All 250 files were received and reviewed. Of the 250 files reviewed, 168 files were identified as midterm cancellations, 48 files were identified as 60-day cancellations and 34 were identified as nonrenewals. During the review it

was noted that some policy files were cancelled and subsequently rewritten by the Company. It was also noted that these policy files were rewritten without the Company obtaining new mandatory election and disclosure forms or applications. The 462 violations noted were based on 214 files, resulting in an error ratio of 86%.

The following findings were made:

*12 Violations 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 Company failed to provide a signed limited tort option form for the 12 files noted.

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

The named insured shall be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form. The Company failed to provide the signed rejection form for uninsured and underinsured motorist coverage for the 6 files noted.

*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 a written request for lower uninsured and underinsured motorist coverage limits.

*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.

*12 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 12 files noted.

*12 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 itemized invoice to the insured at the time of application for the 12 files noted.

*12 Violations Title 75, Pa. C.S §1791.1(b)*

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The Company did not provide the notice of tort options to the insured at the time of application for the 12 files noted.

*12 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 at the time of application for the 12 files noted.

*12 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 for the 12 files noted.

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

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The Company failed to provide a surcharge disclosure statement on the premium notice for the file noted.

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

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

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

*Liberty Mutual v. Leibach (P193-01-02 (1994)*

Requires that an insurer supply the insured with a written statement of the reason for cancellation. The 2 policies were cancelled within the first 60 days of new business and did not contain evidence of the required 15 days notice.

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

Requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or

revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer. The 123 files noted were cancelled for other than permitted reasons. The reasons for cancellation were: "all other reasons", "per previous cancel notice", "convicted of a felony within last 5 years" and "unacceptable driver".

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

Requires that cancellation by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the insured a written notice of the cancellation. The Company did not provide any documentation to indicate when a notice was mailed to the insured for the 6 files noted.

*64 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 or nonrenewal notice and state the date, not less than sixty (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 for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. The Company failed to provide a timely notice for midterm or nonrenewal for the 64 files noted.

*153 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 153 files noted.

*29 Violations Act 68, Section 2008(b) [40 P.S. §991.2008(b)]*

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The 29 policies were cancelled within the first 60 days of new business and did not contain a specific reason for cancellation.

3. Rescissions

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

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

From the universe of 1,079 private passenger automobile policies that were identified as rescissions during the experience period, 100 files were

selected for review. All 100 files were received and reviewed. Of the 100 files reviewed, 89 files were identified as 60-day cancellations, nine were identified as midterm cancellations, one file was identified as a declination and one file was identified as a rescission. The 123 violations noted were based on 99 files, resulting in an error ratio of 99%.

The following findings were made:

*9 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 9 files noted. The reason for cancellation for the 9 files noted was “all other reasons”.

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

Requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured’s driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer. The Company failed to provide a valid reason for cancellation. “All other reasons” is not a permitted reason for cancellation.

*90 Violations Act 68, Section 2008(b) [40 P.S. §991.2008(b)]*

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The 90 policies were cancelled within the first 60 days of new business and did not contain a specific reason for cancellation. "All other reasons" is not a specific reason for cancellation.

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

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

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

*Liberty Mutual v. Leibach (P193-01-02 (1994)*

Requires that an insurer supply the insured with a written statement of the reason for cancellation. The 15 policies were cancelled within the first 60 days of new business and did not contain evidence of the required 15 days notice.

**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.

## 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

From the universe of 18,411 private passenger automobile policies identified as new business without surcharges, 25 files were selected for review. All 25 files were received and reviewed. The 10,755 violations noted were based on the universe of 18,411 files, resulting in an error ratio of 12%.

The following findings were made:

*3 Violations 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 Company failed to have a signed limited tort option selection form in the 3 files noted.

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

The named insured shall be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form. The Company failed to provide a signed written rejection form for uninsured and underinsured motorist coverage.

*1,815 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 direct sales.

*2,234 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 itemized invoice to the insured at the time of application on direct and internet sales.

*2,234 Violations Title 75, Pa. C.S §1791.1(b)*

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The Company did not provide the notice of tort options to the insured at the time of application for direct and internet sales.

*2,234 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 at the time of application for direct and internet sales.

*2,234 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 plan at the time of application on direct and internet sales.

Private Passenger Automobile - New Business With Surcharges

From the universe of 17,216 private passenger automobile policies identified as new business with surcharges by the Company, 100 files were selected for review. All 100 files were received and reviewed. The 29,451 violations noted were based on the universe of 17,216 files, resulting in an error ratio of 100%.

The following findings were made:

*15 Violations 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 Company failed to have a signed limited tort option selection form in the 15 files noted.

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

The named insured shall be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form. The Company failed to provide a signed written rejection form for uninsured and underinsured motorist coverage for 5 files noted.

*2 Violations 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 2 files noted did not contain a written request for lower limits of liability.

*4 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 4 files noted.

*2,192 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 direct sales.

*2,504 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 itemized invoice to the insured at the time of application on direct and internet sales.

*2,504 Violations Title 75, Pa. C.S §1791.1(b)*

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The Company did not provide the notice of tort options to the insured at the time of application for direct and internet sales.

*2,504 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 at the time of application for direct and internet sales.

*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.

*2,504 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 plan at the time of application on direct and internet sales.

*17,216 Violations Title 75, Pa. C.S. §1799.3(d)*

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The Company failed to provide a surcharge disclosure statement on the premium notice.

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 2,305 private passenger automobile policies renewed without surcharges during the experience period, 25 files were selected for review. All 25 files were received and reviewed. The 4,619 violations noted were based on the universe of 2,305, resulting in an error ratio of 100%.

The following findings were made:

#### *9 Violations Title 75, Pa. C.S. §1731(c)(1)*

On policies in which either uninsured or underinsured motorist coverage has been rejected, the policy renewals must contain notice in prominent type that the policy does not

provide protection against damages caused by uninsured or underinsured motorists. The policy renewal did not reflect the prominent notice as required for the 9 files noted.

*2,305 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 with the renewal.

*2,305 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 surcharge disclosure plan with the renewal.

Private Passenger Automobile – Renewals With Surcharges

From the universe of 1,886 private passenger automobile policies renewed with surcharges during the experience period, 50 files were selected for review. All 50 files were received and reviewed. The 5,673 violations noted were based on the universe of 1,886 files, resulting in an error ratio of 100%.

The following findings were made:

*15 Violations Title 75, Pa. C.S. §1731(c)(1)*

Rejection forms for uninsured and underinsured motorist coverage must be signed by the first named insured and dated to be valid. Any rejection form that does not specifically comply with this section is void. If the insurer fails to produce a valid rejection form, uninsured or underinsured coverage, or both, as the case may be, under that policy shall be equal to the bodily injury liability limits. The Company failed to have the rejection form for underinsured motorist coverage dated to be valid for the 15 files noted.

*1,886 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 at renewal.

*1,886 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 surcharge disclosure plan with the renewal.

*1,886 Violations Title 75, Pa. C.S. §1799.3(d)*

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The Company failed to provide a surcharge disclosure statement informing the insured of the nature and the amount of surcharge.

**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.

## VII. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with Insurance Company Law, Section 354 (40 P.S. §477b), Approval of Policies, Contracts, etc., Prohibiting the Use Thereof Unless Approved. During the experience period of the examination, Section 354 provided that it shall be unlawful for any insurance company to issue, sell, or dispose of any policy contract or certificate covering fire, marine, title and all forms of casualty insurance or use applications, riders, or endorsements in connection therewith, until the forms have been submitted to and formally approved by the Insurance Commissioner. All underwriting 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:

### Automobile – Midterm Cancellations

#### *12 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."

*AND*

*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 failed to provide a copy of the application with the fraud warning.

*Automobile Rating – New Business Without Surcharges*

*1,815 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 failed to provide the required fraud warning at the time of application on direct sales calls.

*Automobile Rating – New Business With Surcharges*

*2,204 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."

AND

*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 failed to provide the required fraud warning at the time of application on direct sales calls for 2,192 files. The Company failed to provide a copy of the application with the fraud statement on the remaining 12 files.

*Automobile Rating – Renewals Without Surcharges*

*2,305 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."

AND

*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 failed to provide the fraud notice with the renewals.

Automobile Rating – Renewals With Surcharges

*1,886 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 failed to provide the required fraud warning at the time of application on direct sales calls.

*AND*

*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 failed to provide the fraud notice with the renewals.

### VIII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the preceding four years. The Company identified 116 consumer complaints received during the experience period and provided all consumer complaint logs requested. Of the 116 complaint files reported, 50 files were requested, received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5(a)(11) of the Act requires a Company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint.

The following findings were made:

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

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

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

*Liberty Mutual v. Leibach (P193-01-02 (1994)*

Requires that an insurer supply the insured with a written statement of the reason for cancellation. The 3 policies were cancelled within the first 60 days of new business and did not contain evidence of the required 15 days notice.

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

Requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer. The 2 files noted were cancelled for other than permitted reasons.

*1 Violation Act 68, Section 2006 [40 P.S. §991.2006]*

Requires that cancellation by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the insured a written notice of the cancellation. The Company did not provide any documentation to indicate a notice for nonpayment of premium was mailed to the insured.

*1 Violation 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 Company failed to provide 15 days notice for nonpayment of premium.

*2 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.

*3 Violations Act 68, Section 2008(b) [40 P.S. §991.2008(b)]*

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The Company failed to provide a specific reason for cancellation for the 3 files noted.

*1 Violation Act 205, Section 4 [40 P.S. §1171.4]*

Unfair methods of competition and unfair or deceptive acts or practices prohibited. No person shall engage in this state in any trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to this act. The file noted showed improper conduct of the Agency.

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

An appropriate reply shall be made within ten working days on all other pertinent communications from a claimant which reasonably suggest that a response is expected. The Company did not respond to the claimant's complaint within ten working days in the file noted.

The following concern was noted:

**Concern:** The Company failed to respond to the Department's inquiries concerning cancellations within 15 days. The Company needs to respond to inquiries within the requested 15 days. Out of the 50 complaints, 6 files were noted.

The following synopsis reflects the nature of the 50 complaints that were reviewed.

• 25	Cancellation/Nonrenewal	50%
• 13	Claim Related	26%
• 6	Return Premium/Billing	12%
• 2	Customer Service	4%
• 1	Agency Related	2%
• 3	Miscellaneous	6%
<hr/>		<hr/>
50		100%

## *IX. RECOMMENDATIONS*

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

1. The Company must review and revise internal control procedures to ensure compliance with cancellation and nonrenewal notice requirements of Act 68, Sections 2002, 2004, 2006 and 2008 [40 P.S. §991.2002, 2004, 2006 and 2008], so that the violations noted in the Report do not occur in the future.
2. The Company must review Title 75, Pa. C.S. §1791.1(b) violations to ensure that tort options are provided at the time of application, as noted in the Report, and do not occur in the future.
3. 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 the violations noted under Title 75, Pa. C.S. §1738(c)(d)(1) and (2) do not occur in the future.
4. 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.

5. 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.
  
6. 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.
  
7. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to exercise the waiver for uninsured and underinsured motorist coverage forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. §1731(b) & (c) do not occur in the future.
  
8. 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.
  
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. §1791.1(a) violations to ensure that an itemized invoice listing minimum coverages is provided at the time of application and every renewal thereafter as noted in the Report and does not occur in the future.
11. 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 and at renewal, as noted in the Report, do not occur in the future.
12. 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 Title 75, Pa. C.S. §1799.3(d) do not occur in the future.
13. 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 the violation noted under Title 75, Pa. C.S. §1792(b)(1) does not occur in the future.
14. The Company must review Act 205, Section 4 (40 P.S. §1171.4), with its Agency staff to ensure all Company representatives are conducting themselves properly and that all insureds and claimants are treated fairly.
15. The Company must ensure that all claim forms and renewals contain the required fraud warning notice.

16. The Company must review Title 31, Pa. Code, Section 146.5(c) with its claim staff to ensure that an appropriate reply is made within ten working days on pertinent communications from a claimant which reasonably suggest that a response is expected.

**X. COMPANY RESPONSE**



Cheryl L. Davis, MCM, ACS, AIRC  
Market Conduct Director

May, 19, 2011

Chester A Derk Jr., AIE, HIA  
Pennsylvania Insurance Department - Office of Market Regulation  
Bureau of Market Conduct – Property and Casualty Division  
1227 Strawberry Square  
Harrisburg, PA 17120

RE: Final Market Conduct Report and Exhibits

Mr. Derk:

Thank you once again for providing us with the opportunity to review the Pennsylvania Insurance Department's (hereinafter referred to as "Department") market conduct report. Please find enclosed for your review and consideration, the response from Victoria Fire and Casualty Company (hereinafter referred to as "Victoria" or "Company").

For ease of review, the response has been formatted to include text from the Department's report followed by the Company's response is included. In addition, where responses are specific to a business process or sales channel, we have included this information as well.

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

Sincerely,

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

Cheryl L. Davis  
Market Conduct Director

## **IX. RECOMMENDATIONS** (Pages 37 - 40 of Final Report)

1. The Company must review and revise internal control procedures to ensure compliance with cancellation and nonrenewal requirements of Act 68, Sections 2002, 2004, 2006 and 2008 [40 P.S. §991.2002, 2004, 2006 and 2008], so that the violations noted in the Report do not occur in the future.

### **Company Response:**

The Company accepts this recommendation. In March 2011, implementation of a systems project began that will address the Department's concerns. The project will require termination notices to be sufficiently specific to inform the policyholder of the reason for the termination. The project will also permit the Company to suppress notices that are not applicable to the customer, such as a cancel notice when the policy is being rescinded. This project is scheduled to be completed in November, 2011.

2. The Company must review Title 75, Pa. C.S. §1791.1(b) violations to ensure that tort options are provided at the time of application, as noted in the Report, and do not occur in the future.

### **Company Response:**

The Company accepts the recommendation. Separate responses are provided below.

- **Service Center Operations:** Victoria previously shared with the Department that its existing cancel/rewrite process is due to systems limitations that do not permit certain policy changes at times other than renewal. The existing process was created to be customer-friendly, as the changes were typically at the customer's request or to correct an agent error in uploading the policy. Victoria has discontinued the current cancel/rewrite process and is exploring systems alternatives for these customer-requested midterm changes.
- **Direct Sales:** On June 1, 2011, the Direct channel will introduce a process through which the Notice of Tort Options required by Section §1791.1(b) will be emailed to the insured prior to binding coverage over the phone. The Direct agent will ask the customer to confirm that they have received and understand the disclosure prior to continuing to the bind process. For any customers who are unwilling or unable to receive the disclosure via email, the disclosure will be mailed to the customer and the binding process will be withheld until the Direct channel is able to confirm the customer's receipt and understanding of the disclosure. This disclosure will continue to be included in the Welcome Packet mailed to the insured post-bind to ensure the customer has a hard-copy in their possession.
- **Internet Sales:** On August 6, 2011, the Internet Channel will introduce a disclosure feature which includes the Notice of Tort Options required by Section §1791.1(b). This disclosure will be presented to the Internet customer prior to binding coverage. The customer will be asked to acknowledge that the disclosure was viewed prior proceeding into the final sale. A customer will not be

able to navigate into the final bind process without affirming that the disclosure was viewed.

3. 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 the violations noted under Title 75, Pa. C.S. §1738(c)(d)(1) and (2) do not occur in the future.

**Company Response:**

The Company accepts the recommendation. Victoria previously shared with the Department that its existing cancel/rewrite process is due to systems limitations that do not permit certain policy changes at times other than renewal. The existing process was created to be customer-friendly, as the changes were typically at the customer's request or to correct an agent error in uploading the policy. Victoria has discontinued the current cancel/rewrite process and is exploring systems alternatives for these customer-requested midterm changes.

4. On policies in which either uninsured or underinsured coverage has been rejected, the policy renewal must contain 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.

**Company Response:**

The Company accepts this recommendation. On July 1, 2011, our Policy Declaration forms will be updated in prominent type to include the following when the policyholder has rejected UM/UIM: "As you have chosen to reject uninsured / underinsured motorist coverage, your policy does not provide protections against damages caused by uninsured or underinsured motorists."

5. 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.

**Company Response:**

The Company accepts the recommendation. Separate responses are provided below.

- **Service Center Operations:** Victoria previously shared with the Department that its existing cancel/rewrite process is due to systems limitations that do not permit certain policy changes at times other than renewal. The existing process was created to be customer-friendly, as the changes were typically at the customer's request or to correct an agent error in uploading the policy. Victoria has discontinued the current cancel/rewrite process and is exploring systems alternatives for these customer-requested midterm changes.

- **Direct Sales:** The Company accepts the recommendation. On June 1, 2011, the Direct channel will introduce a process through which the Notice of Premium Discounts required by §1791.1(c) will be emailed to the insured prior to binding coverage over the phone. The Direct agent will ask the customer to confirm that they have received and understand the disclosure prior to continuing to the bind process. For any customers who are unwilling or unable to receive the disclosure via email, the disclosure will be mailed to the customer and the binding process will be withheld until the Direct channel is able to confirm the customer's receipt and understanding of the disclosure. This disclosure will continue to be included in the Welcome Packet mailed to the insured post-bind to ensure the customer has a hard-copy in their possession.
  - **Internet Sales:** On August 6, 2011, the Internet Channel will introduce a disclosure feature which includes discount availability required by Section §1791.1(c). This disclosure will be presented to the Internet customer prior to binding coverage. The customer will be asked to acknowledge that the disclosure was viewed prior proceeding into the final sale. A customer will not be able to navigate into the final bind process without affirming that the disclosure was viewed.
6. 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 forms are obtained and retained with the underwriting file. This is to ensure that the violations noted under Title 75, Pa. C.S. §1705(a)(1)(4) do not occur in the future.

**Company Response:**

The Company accepts the recommendation. Victoria previously shared with the Department that its existing cancel/rewrite process is due to systems limitations that do not permit certain policy changes at times other than renewal. The existing process was created to be customer-friendly, as the changes were typically at the customer's request or to correct an agent error in uploading the policy. Victoria has discontinued the current cancel/rewrite process and is exploring systems alternatives for these customer-requested midterm changes.

7. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to exercise the waiver for uninsured and underinsured motorist coverage forms are obtained and retained with the underwriting file. This is to ensure that the violations noted under Title 75, Pa. C.S. §1731(b) & (c) do not occur in the future.

**Company Response:**

The Company accepts the recommendation. Victoria previously shared with the Department that its existing cancel/rewrite process is due to systems limitations that do not permit certain policy changes at times other than renewal. The existing process was created to be customer-friendly, as the changes were typically at the customer's request or to correct an agent error in uploading the policy. Victoria has discontinued the current cancel/rewrite process and is exploring systems alternatives for these customer-requested midterm changes.

8. 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.

**Company Response:**

The Company accepts the recommendation. Victoria previously shared with the Department that its existing cancel/rewrite process is due to systems limitations that do not permit certain policy changes at times other than renewal. The existing process was created to be customer-friendly, as the changes were typically at the customer's request or to correct an agent error in uploading the policy. Victoria has discontinued the current cancel/rewrite process and is exploring systems alternatives for these customer-requested midterm changes.

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.

**Company Response:**

The Company accepts the recommendation. Separate responses are provided below.

- **Service Center Operations:** Victoria previously shared with the Department that its existing cancel/rewrite process is due to systems limitations that do not permit certain policy changes at times other than renewal. The existing process was created to be customer-friendly, as the changes were typically at the customer's request or to correct an agent error in uploading the policy. Victoria has discontinued the current cancel/rewrite process and is exploring systems alternatives for these customer-requested midterm changes.
  - **Direct Sales:** On June 1, 2011, the Direct channel will introduce a process through which the Notice of Available Benefits and Limits required by §1791 will be emailed to the insured prior to binding coverage over the phone. The Direct agent will ask the customer to confirm that they have received and understand the disclosure prior to continuing to the bind process. For any customers who are unwilling or unable to receive the disclosure via email, the disclosure will be mailed to the customer and the binding process will be withheld until the Direct channel is able to confirm the customer's receipt and understanding of the disclosure. This disclosure will continue to be included in the Welcome Packet mailed to the insured post-bind to ensure the customer has a hard-copy in their possession.
10. The Company must review Title 75, Pa. C.S. §1791.1(a) violations to ensure that an itemized invoice listing minimum coverages is provided at the time of application and every renewal thereafter as noted in the Report and does not occur in the future.

**Company Response:**

The Company accepts the recommendation. Separate responses are provided below.

- **Service Center Operations:** Victoria previously shared with the Department that its existing cancel/rewrite process is due to systems limitations that do not permit certain policy changes at times other than renewal. The existing process was created to be customer-friendly, as the changes were typically at the customer's request or to correct an agent error in uploading the policy. Victoria has discontinued the current cancel/rewrite process and is exploring systems alternatives for these customer-requested midterm changes.
  - **Direct Sales:** On June 1, 2011, the Direct channel will introduce a process through which the itemized invoice listing minimum coverages required by §1791.1(a) will be emailed to the insured prior to binding coverage over the phone. The Direct agent will ask the customer to confirm that they have received and understand the disclosure prior to continuing to the bind process. For any customers who are unwilling or unable to receive the disclosure via email, the disclosure will be mailed to the customer and the binding process will be withheld until the Direct channel is able to confirm the customer's receipt and understanding of the disclosure. This disclosure will continue to be included in the Welcome Packet mailed to the insured post-bind to ensure the customer has a hard-copy in their possession.
  - **Internet Sales:** On August 6, 2011, the Internet Channel will introduce a disclosure feature which includes the itemized invoice listing minimum coverages required by §1791.1(a). This disclosure will be presented to the Internet customer prior to binding coverage. The customer will be asked to acknowledge that the disclosure was viewed prior proceeding into the final sale. A customer will not be able to navigate into the final bind process without affirming that the disclosure was viewed.
11. The Company must review Title 75, Pa. C.S. §1793(b) to ensure that the violations regarding the requirement to provide the insured with a surcharge disclosure plan at the time of application and at renewal, as noted in the Report, do not occur in the future.

**Company Response:**

The Company accepts the recommendation. Separate responses are provided below.

- **Service Center Operations:** Victoria previously shared with the Department that its existing cancel/rewrite process is due to systems limitations that do not permit certain policy changes at times other than renewal. The existing process was created to be customer-friendly, as the changes were typically at the customer's request or to correct an agent error in uploading the policy. Victoria has discontinued the current cancel/rewrite process and is exploring systems alternatives for these customer-requested midterm changes. In addition, for new business and renewals, the Company does provide the surcharge disclosure plan and those are being archived for verification.

- **Direct Sales:** On June 1, 2011, the Direct channel will introduce a process through which the Surcharge Disclosure Plan required by §1793(b) will be emailed to the insured prior to binding coverage over the phone. The Direct agent will ask the customer to confirm that they have received and understand the disclosure prior to continuing to the bind process. For any customers who are unwilling or unable to receive the disclosure via email, the disclosure will be mailed to the customer and the binding process will be withheld until the Direct channel is able to confirm the customer's receipt and understanding of the disclosure. This disclosure will continue to be included in the Welcome Packet mailed to the insured post-bind to ensure the customer has a hard-copy in their possession.
- **Internet Sales:** On August 6, 2011, the Internet Channel will introduce a disclosure feature which includes the surcharge disclosure plan required by §1793(b). This disclosure will be presented to the Internet customer prior to binding coverage. The customer will be asked to acknowledge that the disclosure was viewed prior proceeding into the final sale. A customer will not be able to navigate into the final bind process without affirming that the disclosure was viewed.

12. 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 Title 75, Pa. C.S. §1799.3(d) do not occur in the future.

**Company Response:**

The Company accepts the recommendation. On September 12, 2011, a systems change will be implemented that will specify the manner in which a surcharge was made, clearly identify the amount of the surcharge and provide notice to the insured.

13. 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 the violation noted under Title 75, Pa. C.S. §1792(b)(1) does not occur in the future.

**Company Response:**

The Company acknowledges the one policy identified without a signature was an isolated incident not likely to reoccur. The Company's application does contain a section for a signed statement from insureds requesting a deductible of less than \$500.

14. The Company must review Act 205, Section 4 (40 P.S. §1171.4) with its Agency staff to ensure all Company representatives are conducting themselves properly and that all insureds and claimants are treated fairly.

**Company Response:**

The Company respectfully disagrees that a violation of Act 205, Section 4 (40 P.S. §1171.4) occurred. The complainant alleged poor customer service by the agency. The definition of unfair methods of competition and unfair or deceptive acts or practices in 40 P.S. §1171.5 does not include poor customer service. Absent additional detail of a specific violation, the Company does not believe it can properly counsel the agency on its alleged behavior.

15. The Company must ensure that all claims forms and renewals contain the required fraud warning notice.

**Company Response:**

The Company accepts this recommendation. The following has been added to all Policy Declarations forms as of June 6, 2011: "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." All claims forms already contain the required fraud warning notice. Additional underwriting forms were identified in the exam detail that the Company does not believe fall under Title 75, Pa. C.S. section 1822. The Company, however, plans to add the language to those forms as forms revisions are made.

16. The Company must review Title 31, Pa. Code, Section 146.5(c) with its claims staff to ensure that an appropriate reply is made within ten working days on pertinent communications from a claimant which reasonably suggest that a response is expected.

**Company Response:**

The Company respectfully disagrees with the finding in the Consumer Complaint section for one violation of Title 31, Pa. Code, Section 146.5 (c). The claim at issue was reported on May 8, 2009; the Company made contact with the insured on that date. A denial was issued based upon the claims investigation on May 18, 2009, which was within the 10 day period required by Title 31, Pa. Code, Section 146.5 (c). The insured called on June 24, 2009, and advised she had an attorney. Contact was made with the attorney on June 30, 2009. A follow up letter confirming the claims denial was sent on July 1, 2009 and contact was made again with the attorney on July 7, 2009. This communication was also within the 10-day period required by Title 31, Pa. Code, Section 146.5 (c).

**CONCERN** (Page 36 of Final Report)

The Company failed to respond to the Department's inquiries concerning cancellations within the 15 days. The Company needs to respond to inquiries within the requested 15 days. Out of 50 complaints, 6 files were noted.

**Company Response:**

The Company agrees that the Company's standard business practices were not followed in these instances. Our associates have been reminded to follow Company

practices when responding to the Department and that it is critical to respond to the Department's inquiries within 15 days.