



**pennsylvania**  
INSURANCE DEPARTMENT

**COMMONWEALTH OF PENNSYLVANIA  
INSURANCE DEPARTMENT**

MARKET CONDUCT  
EXAMINATION REPORT

OF

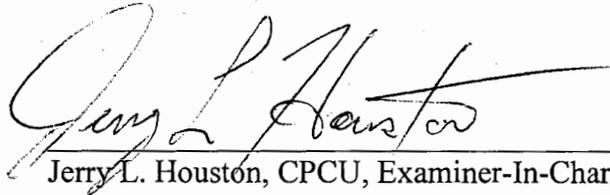
**NATIONAL INTERSTATE  
INSURANCE COMPANY**  
RICHFIELD, OH

As of: October 18, 2012  
Issued: December 6, 2012

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

VERIFICATION

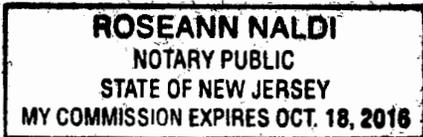
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).

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

Sworn to and Subscribed Before me

This 17<sup>th</sup> Day of October, 2012

  
Notary Public



**NATIONAL INTERSTATE INSURANCE COMPANY**

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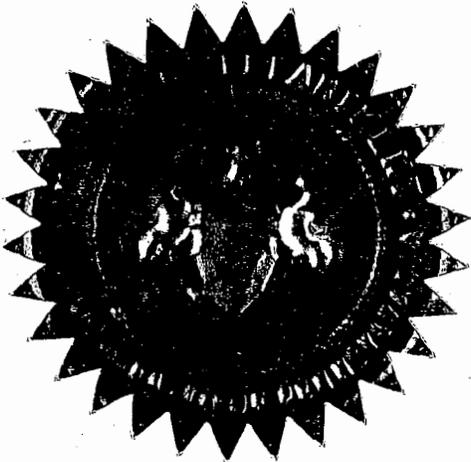
Order

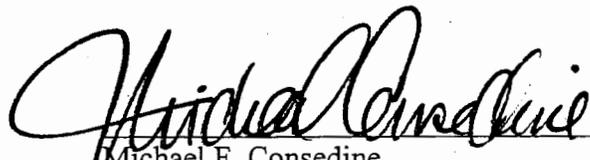
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BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 27<sup>m</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:
	:	
NATIONAL INTERSTATE	:	Section 904(b) of the Insurance
INSURANCE COMPANY	:	Department Act, Act of May 17, 1921,
3250 Interstate Drive	:	P.L. 789, No. 285 (40 P.S. §323.4)
Richfield, OH 44286	:	
	:	Act 1990-6, Sections 1705(a)(4),
	:	1725, 1738(c)(d)(1) and (2), 1791.1(a),
	:	(b) and (c), 1793(b), and 1799.3(d)
	:	
	:	Sections 4(a) and 4(h) of the Act of
	:	June 11, 1947, P.L. 538, No. 246
	:	(40 P.S. §§ 1184)
	:	
	:	Sections 2003(a)(1), (10) and (11), and
	:	2005(c) of Act 68 of 1998 (40 P.S.
	:	§§ 991.2003 and 991.2005)
	:	
	:	Title 31, Pennsylvania Code, Section
	:	67.33(b)(4), 67.34 and 67.35
	:	
	:	
Respondent.	:	Docket No. MC12-11-011

CONSENT ORDER

AND NOW, this *6th* day of *December*, 2012, 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 National Interstate Insurance Company, and maintains its address at 3250 Interstate Drive, Richfield, OH 44286.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience periods from May 1, 2009 through July 31, 2011.

(c) On October 18, 2012, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on November 16, 2012.

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

(i) Section 904(b) of the Insurance Department Act (40 P.S. § 323.4), which requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined;

(ii) Sections 1705(a)(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;

(iii) Section 1725 of Act 1990-6, Title 75, Pa.C.S. § 1725, which requires every motor vehicle insurance policy to contain a notice whether the policy covers

collision damage to rental vehicles, and any limitations on such coverage.

The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters;

- (iv) 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;
  
- (v) 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 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;

- (vi) Section 1791.1(b) of Act 1990-6, Title 75, Pa.C.S. § 1791, which requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance;
- (vii) 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;
- (viii) 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 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;
- (ix) 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;

- (x) Sections 4(a) and 4(h) of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in this Commonwealth and prohibits an insurer from making or issuing a contract or policy with rates other than those approved;
  
- (xi) Sections 2003(a)(1), (10) and (11) of Act 68 (40 P.S. §§991.2003(a)(1)(10) and (11), which states an insurer may not cancel or refuse to write or renew a policy of automobile insurance for any of the following: (1) Age; (10) Lawful Occupation; and (11) The refusal of another insurer to write a policy or cancellation or refusal to renew an existing policy by another insurer;
  
- (xii) Section 2005(c) of Act 68 of 1998 (40 P.S. §991.2005), which requires all insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of a surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance or as a result of any other factors;

- (xiii) Title 31, Pa. Code, Section 67.33(b)(4), which states an insurer may not assess a premium surcharge solely because of one conviction of an offense enumerated in 75 Pa. C.S. §1535; and
  
- (xiv) Title 31, Pa. Code, Sections 67.34 and 67.35, which require 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.

#### CONCLUSIONS OF LAW

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

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
  
- (b) Respondent's violations of Sections 4(a) and (h) of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184) are punishable under Section 16 of the Casualty and Surety Rate Regulatory Act:

- (i) imposition of a civil penalty not to exceed \$50 for each violation or not more than \$500 for each such wilful violation;
  - (ii) suspension of the license of any insurer which fails to comply with an Order of the Commissioner within the time limited by such Order, or any extension thereof which the Commissioner may grant.
- (c) Respondent's violations of Sections 2003 and 2005 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).

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 Twenty Thousand Dollars (\$20,000.00) 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 PA Insurance Department, Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Bureau of Market Conduct, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

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

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 may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

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

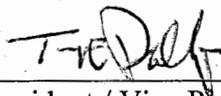
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

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

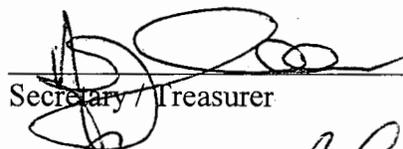
11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegate is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law

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

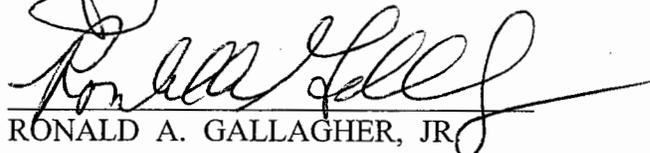
BY: NATIONAL INTERSTATE INSURANCE  
COMPANY, Respondent



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



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



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

## I. INTRODUCTION

The Market Conduct Examination was conducted at National Interstate Insurance Company, hereinafter referred to as "Company", at its office located in Richfield, Ohio, from November 14, 2011 to February 10, 2012. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

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

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

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

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

The following examiners participated in this examination and in preparation of the Report.

Constance L. Arnold, MCM  
Market Conduct Division Chief

Jerry L. Houston, CPCU  
Market Conduct Examiner

June A. Coleman, MCM  
Market Conduct Examiner

## **II. SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted on National Interstate Insurance Company's office in Richfield, 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 May 1, 2009 through July 31, 2011, 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
  - Rating - Proper use of all classification and rating plans and procedures.
  
2. Data Integrity

### III. COMPANY HISTORY AND LICENSING

National Interstate Insurance Company (NIIC) was incorporated on February 10, 1989, under the laws of Ohio and began business on March 28, 1989. NIIC, a wholly owned subsidiary of National Interstate Corporation, is a specialty property and casualty insurance holding company with a niche orientation and focus on the transportation industry. NIIC was founded in 1989 to serve the passenger transportation industry. During that time, NIIC became a leading writer of charter bus, municipal transit, public transportation and limousine risks across the country. NIIC's programs include traditional insurance and innovative captive options for commercial companies, as well as a portfolio of personal lines products for specialty vehicle owners.

#### LICENSING

National Interstate Insurance Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2012. The Company is licensed in the District of Columbia and all states. The Company's 2011 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$20,331,063. 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) \$16,186; Other Private Passenger Auto Liability \$96,119 and Private Passenger Auto Physical Damage \$697,276.

#### IV. UNDERWRITING PRACTICES AND PROCEDURES

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

The following findings were made:

*5 Violations Act 68, Section 2003(a)(1)(10)&(11)*

*[40 P.S. §991.2003(a)(1)(10)&(11)]*

Discrimination Prohibited – (a) An insurer may not cancel or refuse to write or renew a policy of automobile insurance for any of the following reasons: (1) Age; (10) Lawful Occupation; and (11) The refusal of another insurer to write a policy or the cancellation or refusal to renew an existing policy by another insurer. The Company is using age, lawful occupation and the refusal to renew an existing policy by another insurer as criteria for refusal to write a policy of automobile insurance. Of the five (5) violations noted, one (1) violation was due to the Company stating in its Companion Auto Eligibility Rules that a refusal to write a policy can be based on a driver under 21 not having a clean record. Two (2) violations were the result of the Company stating in its Companion Auto Eligibility Rules and The Recreational Vehicle Underwriting Guidelines that a refusal to write a policy can be due to migratory risk/seasonable occupation/transient risks. The remaining two (2) violations were

due to the Company stating in its Companion Auto Eligibility Rules and The Recreational Vehicle Underwriting Guidelines that a refusal to write a policy can be based on the applicant having policies canceled more than 3 times for nonpayment or underwriting reasons or non-renewed by another insurance company in the last 3 years.

*2 Violations Title 31, Pa. Code, Section 67.33(b)(4)*

An insurer may not assess a premium surcharge solely because of one conviction of an offense enumerated in 75 Pa. C.S. §1535. Of the two (2) violations noted, one (1) violation was the result of assessing a surcharge due to leaving the scene of an accident. The remaining violation was due to surcharging the policy based on excessive speeding. Both violations were stated within the Company's Companion Auto Eligibility Rules.

## V. RATING

### **A. Private Passenger Automobile**

#### 1. New Business

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

The primary purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) [40 P.S. §1184], which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time. Files were also reviewed to determine compliance with all provisions of Act 6 of 1990 and Act 68, Section 2005(c) [40 P.S. §991.2005(c)], which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance, or as a result of any other factors.

The Company uses an automated system to process and issue personal automobile policies. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

Automobile Rating – New Business without Surcharges

From the universe of 270 personal automobile policies identified as new business without surcharges by the Company, 66 files were selected for review. All 66 policy files requested were received and reviewed. There were initially 50 policy files selected for review. When the on-site exam began, it was discovered the list provided by the Company did not contain sufficient private passenger auto policies. Therefore, an additional 16 files were requested. From the universe of 270 policies, the 247 violations were based on 144 files resulting in an error ratio of 53%.

The following findings were made:

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

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. Of the 128 files noted, 122 files identified by the Company, were rated without applying the premium paid-in-full discount resulting in overcharges of \$5,527. Two (2) files were rated with an improper limited tort factor resulting in overcharges of \$67. The remaining four (4) files were rated without coverage for first party benefits resulting in undercharges of \$114.

*5 Violations Title 75, Pa. C.S. §1705(a)(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 five (5) files noted were the result of a policy issued with limited tort and no evidence of a signed limited tort selection form.

*6 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/or underinsured motorists coverage for the six (6) files noted.

*27 Violations Title 75, Pa. C.S. §1725*

Every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided the required notice but it was not located on the first page of the policy for the 27 files noted.

*27 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 did not provide the itemized invoice at the time of application for the 27 files noted.

*27 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 27 files noted.

*27 Violations Title 75, Pa. C.S. §1793(b), Title 31, Pa. C.S. §67.34*

*AND Title 31, Pa. C.S. §67.35*

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 27 violations were the result of the Company not providing the insured at time of application with a copy of a surcharge disclosure plan detailing accurate surcharge amounts/percentages.

The following concerns were made.

**CONCERN:** The Company's private passenger auto application for the Companion Auto Program does not ask the question regarding homeownership. There is a credit filed for those insureds who own their home. The concern is some insureds may not be receiving this credit even though they own a home. Therefore, the Company should revise the application to ask the question regarding homeownership and apply the credit if applicable.

**CONCERN:** The Company used an online VIN lookup site which provided necessary rating information for physical damage coverages for the Companion Auto program. This site failed to show what anti-theft equipment was provided by the vehicle. A credit is allowed depending on what device was in the vehicle and no credit if there was no anti-theft device. The concern is some insureds may not be receiving the proper credit as filed and approved by the Company's rating plan.

**CONCERN:** The Company issued policies with First Party Benefit (FPB) coverage. However, the Company failed to display the FPB coverage on the

declaration page. According to Title 75, Pa. C.S. §1791.1(a), the insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premium for the insured's existing coverages. The Company should state the FPB coverage on the declaration page.

Auto Rating – New Business with Surcharges

The universe of seven (7) personal automobile policies identified as new business with surcharges by the Company was selected for review. All seven (7) policy files requested were received and reviewed. The 17 violations noted were based on four (4) files resulting in an error ratio of 57%.

The following findings were made:

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

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. Of the two (2) files noted, one (1) file identified by the Company was rated without applying the premium paid-in-full discount resulting in overcharges of \$276. The remaining file was rated without coverage for first party benefits resulting in undercharges of \$46.

*3 Violations Title 75, Pa. C.S. §1725*

Every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided the required notice but it was not located on the first page of the policy for the three (3) files noted.

*3 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 did not provide the itemized invoice at the time of application for the three (3) files noted.

*3 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 three (3) files noted.

*3 Violations Title 75, Pa. C.S. §1793(b), Title 31, Pa. C.S. §67.34  
AND Title 31, Pa. C.S. §67.35*

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 three (3) files noted were the result of the Company not providing the insured at time of application with a copy of a surcharge disclosure plan detailing accurate surcharge amounts/percentages.

*3 Violations Act 68, Section 2005(c) [40 P.S. §991.2005(c)] AND  
Title 75, Pa. C.S. §1799.3(d)*

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as

long as the surcharge or rate penalty is in effect. The required surcharge information was not provided on the policy for the three (3) files noted.

The following concerns were made.

**CONCERN:** The Company's private passenger auto application for the Companion Auto Program does not ask the question regarding homeownership. There is a credit filed for those insureds who own their home. The concern is some insureds may not be receiving this credit even though they own a home. Therefore, the Company should revise the application to ask the question regarding homeownership and apply the credit if applicable.

**CONCERN:** The Company used an online VIN lookup site which provided necessary rating information for physical damage coverages for the Companion Auto program. This site failed to show what anti-theft equipment was provided by the vehicle. A credit is allowed depending on what device was in the vehicle and no credit if there was no anti-theft device. The concern is some insureds may not be receiving the proper credit as filed and approved by the Company's rating plan.

**CONCERN:** The Company issued policies with First Party Benefit (FPB) coverage. However, the Company failed to display the FPB coverage on the declaration page. According to Title 75, Pa. C.S. §1791.1(a), the insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premium for the insured's existing coverages. The Company should state the FPB coverage on the declaration page.

## 2. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date. The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) [40 P.S. §1184], which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time. Files were also reviewed to determine compliance with Act 68, Section 2005(c) [40 P.S. §991.2005(c)], which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance, or as a result of any other factors.

The Company uses an automated system to process and issue personal automobile policies. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

### Private Passenger Automobile – Renewals without Surcharges

From the universe of 3,662 personal automobile policies identified as renewals without surcharges, 137 files were selected for review. The original selection of 100 was based upon policy listings provided by the

Company but due to the lack of private passenger auto policies, the Company was asked to clarify their policy listing. It was originally indicated all were private passenger auto. When the on-site examination began, it was discovered the list of files provided by the Company was a combination of Recreational Vehicle policies and Private Passenger auto policies. An additional 37 files were then selected. All policy files were received and reviewed. From the universe of 3,662 policies, the 3,050 violations were based on 2,052 files resulting in an error ratio of 56%.

The following findings were made:

*2,455 Violations Act 246, The Casualty and Surety Rate Regulatory Act,  
Section 4 [40 P.S. §1184]*

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. Of the 2,455 files noted, 1,728 files identified by the Company were rated without applying the premium paid-in-full discount resulting in overcharges of \$96,783. Seven hundred (700) files that were identified by the Company, were rated without applying the early renewal discount which resulted in overcharges of \$21,630. Three (3) files were rated with an improper limited tort factor resulting in overcharges of \$95. The remaining 24 files were rated

without coverage for first party benefits resulting in undercharges of \$589.

*119 Violations Title 75, Pa. C.S. §1725*

Every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided the required notice but it was not located on the first page of the policy for the 119 files noted.

*119 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 did not provide the itemized invoice at the time of renewal for the 119 files noted.

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

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The Company did not provide the notice of tort options to the insured at the time of renewal for the 119 files noted.

*119 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 renewal for the 119 files noted.

*119 Violations Title 75, Pa. C.S. §1793(b), Title 31, Pa. C.S. §67.34  
AND Title 31, Pa. C.S. §67.35*

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 119 files noted were the result of the Company not providing the insured at time of renewal

with a copy of a surcharge disclosure plan detailing accurate surcharge amounts/percentages.

The following concerns were made.

**CONCERN:** The Company's private passenger auto application for the Companion Auto Program does not ask the question regarding homeownership. There is a credit filed for those insureds who own their home. The concern is some insureds may not be receiving this credit even though they own a home. Therefore, the Company should revise the application to ask the question regarding homeownership and apply the credit if applicable.

**CONCERN:** The Company used an online VIN lookup site which provided necessary rating information for physical damage coverages for the Companion Auto program. This site failed to show what anti-theft equipment was provided by the vehicle. A credit is allowed depending on what device was in the vehicle and no credit if there was no anti-theft device. The concern is some insureds may not be receiving the proper credit as filed and approved by the Company's rating plan.

**CONCERN:** The Company issued policies with First Party Benefit (FPB) coverage. However, the Company failed to display the FPB coverage on the declaration page. According to Title 75, Pa. C.S. §1791.1(a), the insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premium for the insured's existing coverages. The Company should state the FPB coverage on the declaration page.

### Private Passenger Automobile – Renewals with Surcharges

From the universe of 100 personal automobile policies identified as renewals with surcharges, 32 policy files were selected for review. All 32 policy files requested were received and reviewed. When the on-site exam began it was discovered there were only two private passenger auto policies in the selection of 25 files. Another seven (7) policy files were then selected from information provided by the Company. From the universe of 100 policies, the 200 violations were based on 92 files resulting in an error ratio of 92%.

The following findings were made:

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

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. Of the 73 files noted, 53 files identified by the Company were rated without applying the premium paid-in-full discount resulting in overcharges of \$5,493. Eighteen (18) files identified by the Company were rated without applying the early renewal discount which resulted in overcharges of \$884. One (1) file was rated with an improper surcharge resulting in overcharges of \$89. The remaining file was rated without coverage for first party benefits resulting in undercharges of \$46.

*9 Violations Title 75, Pa. C.S. §1725*

Every motor vehicle insurance policy shall contain a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage. The notice shall be written in clear, plain language and shall be printed on the first page of the policy in boldface capital letters. The Company provided the required notice but it was not located on the first page of the policy for the nine (9) files noted.

*9 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 did not provide the itemized invoice at renewal for the nine (9) files noted.

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

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The Company did not provide the notice of tort options to the insured at the time of renewal for the nine (9) files noted.

*9 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 renewal for the nine (9) files noted.

*9 Violations Title 75, Pa. C.S. §1793(b), Title 31, Pa. C.S. §67.34  
AND Title 31, Pa. C.S. §67.35*

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 nine (9) files noted were the result of the Company not providing the insured at time of renewal with a copy of a surcharge disclosure plan detailing accurate surcharge amounts/percentages.

*82 Violations Act 68, Section 2005(c) [40 P.S. §991.2005(c)] AND  
Title 75, Pa. C.S. §1799.3(d)*

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The required surcharge information was not provided on the policy for the 82 files noted.

The following concerns were made.

**CONCERN:** The Company's private passenger auto application for the Companion Auto Program does not ask the question regarding homeownership. There is a credit filed for those insureds who own their home. The concern is some insureds may not be receiving this credit even though they own a home. Therefore, the Company should revise the application to ask the question regarding homeownership and apply the credit if applicable.

**CONCERN:** The Company used an online VIN lookup site which provided necessary rating information for physical damage coverages for the Companion Auto program. This site failed to show what anti-theft equipment was provided by the vehicle. A credit is allowed depending on what device was in the vehicle and no credit if there was no anti-theft device. The concern is some insureds may not be receiving the proper credit as filed and approved by the Company's rating plan.

**CONCERN:** The Company issued policies with First Party Benefit (FPB) coverage. However, the Company failed to display the FPB coverage on the declaration page. According to Title 75, Pa. C.S. §1791.1(a), the insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premium for the insured's existing coverages. The Company should state the FPB coverage on the declaration page.

## VI. DATA INTEGRITY

Before the on-site portion of the examination commenced, the Company was asked to provide the universe list of all private passenger automobile policies in force during the experience period, as part of the underwriting review. The Company provided listings that were primarily Recreational Vehicle policies. The Company was asked to verify that its listings were private passenger automobile policies. The Company responded that the policies within the listing were private passenger automobile files. Subsequently, the Department's examiner discovered during the on-site review of rating files and material that the Company had provided the Department with substantially incomplete universes. This prompted the Department's examiner to have the Company re-run the universe list for private passenger automobile policies.

The following finding was made:

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

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

## VII. 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 premium overcharges noted in the rating section of this report must be refunded to the insureds and proof of such refunds must be provided to the Insurance Department within 30 days of the report issue date.
2. The Company must review Act 246, Section 4(a) and (h) [40 P.S. §1184] and take appropriate measures to ensure the rating violations listed in the report do not occur in the future.
3. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option and that signed tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. §1705(a)(4) do not occur in the future.
4. The Company must revise underwriting procedures to ensure that the first named insured is aware that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. This is to ensure that violations noted under Title 75, Pa. C.S. §1738(d)(1)& (2) do not occur in the future.

5. When a surcharge is imposed on a private passenger automobile policy the Company must specify the manner in which the surcharge was made and clearly identify the amount of the surcharge and give notice to the insured. This procedure must be implemented within 30 days of the Report issue date. This is to ensure that violations noted under Act 68, Section 2005(c) [40 P.S. §991.2005(c)] and Title 75, Pa. C.S. §1799.3(d) do not occur in the future.
6. The Company must review Title 75, Pa. C.S. 1793(b), Title 31, Pa. Code, Sections 67.34 and 67.35 to ensure that violations regarding the requirement to provide the insured with a surcharge disclosure plan at the time of application and every renewal thereafter, as noted in the Report, do not occur in the future.
7. The Company must review Title 75, Pa. C.S. §1791.1(a) and (b) violations to ensure that an itemized invoice listing minimum coverages and tort options are provided at the time of application and every renewal thereafter as noted in the Report do not occur in the future.
8. 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 at every renewal, as noted in the Report, do not occur in the future.
9. The Company must review Title 75, Pa. C.S. §1725 to ensure that a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage shall be printed on the first page of the policy in boldface capital letters.

10. The Company must review Act 68, Section 2003[40 P.S. §991.2003] to ensure that the violations relative to discrimination based on age, lawful occupation and the cancellation or refusal to renew by another insurer to write a policy, as noted in the Report, do not occur in the future.
11. The Company should review and revise guideline practices and procedures to ensure compliance with the requirements of Title 31, Pa. Code, Section 67.33(b)(4), so that the violations relating to accessing premium surcharge, as noted in the Report, do not occur in the future.
12. The Company must review and revise internal control procedures to ensure compliance with data integrity in accordance with Insurance Department Act, Section 904(b) [40 P.S. §323.4], so that the violation noted in the Report does not occur in the future.

**VIII. COMPANY RESPONSE**



# NATIONAL INTERSTATE

November 16, 2012

Constance Arnold, Division Chief  
Pennsylvania Insurance Department  
Bureau of Market Actions  
Property and Casualty Division  
1227 Strawberry Square  
Harrisburg, PA 17120

*Via overnight mail and e-mail (carnold@pa.gov)*

RE: Examination Warrant Number: 11-M19-025  
National Interstate Insurance Company

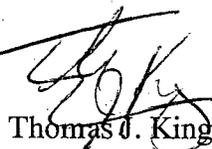
Dear Ms. Arnold:

Thank you for the opportunity to respond to the final Report of Examination of National Interstate Insurance Company by the Pennsylvania Department of Insurance. Enclosed please find our response for your review and consideration.

National Interstate appreciates the professional courtesies shown by the Department throughout this examination. If you have any questions or concerns, please contact me directly.

Sincerely,

NATIONAL INTERSTATE INSURANCE COMPANY



Thomas J. King  
Corporate Attorney

Encl.

Cc: Dale Willis, AVP, Personal Lines Dept.  
Arthur J. Gonzales, VP, Sec'y, & GC

### VIII. COMPANY RESPONSE

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

**Company Response:** Please note that all premium overcharges have been refunded and documentation of the refunds was provided to the Department on September 21, 2012.

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

**Company Response:** The Company has reviewed Act 246, Section 4(a) and (h) and has taken measures to ensure these violations do not occur in the future. In regard to the rating of policies without implemented discounts, the Company has removed the previously filed "Paid-In-Full" and "Early Renewal" discounts; the effective date of the removal of these discounts was 7/1/2011. In regard to rating violations for combined first party benefits, the Company has now implemented the correct rate factors. The Company will also ensure that all proper accident surcharges are applied in accordance with its underwriting guidelines. Finally, the Company has changed its system to ensure that all insureds with first party medical benefits are charged for this coverage.

3. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option and that signed tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. §1705(a)(4) do not occur in the future.

**Company Response:** The tort selection form, UA 103b, is provided at the point of sale with an insurance producer to allow the insured to select the tort option suited for him or her. The tort selection form will be retained in the underwriting file.

4. The Company must revise underwriting procedures to ensure that the first named insured is aware that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. This is to ensure that violations noted under Title 75, Pa. C.S. §1738(d)(1)&(2) do not occur in the future.

**Company Response:** The Company has revised its underwriting procedures to ensure that the first named insured is aware that he or she may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage. The Company will retain signed written rejection forms in the underwriting file.

5. When a surcharge is imposed on a private passenger automobile policy the Company must specify the manner in which the surcharge was made and clearly identify the amount of the surcharge and give notice to the insured. This procedure must be implemented within 30 days of the Report issue date. This is to ensure that violations noted under Act 68, Section 2005(c) [40 P.S. §991.2005(c)] and title 75, Pa. C.S. §1799.3(d) do not occur in the future.

**Company Response:** The Company has revised its programming to ensure that the reason a surcharge is imposed and the amount of the surcharge is displayed within the declarations pages. This programming change became effective November 1, 2012, for all private passenger automobile policies.

6. The Company must review Title 75, Pa. C.S. §1793(b), Title 31, Pa. Code, Sections 67.34 and 67.35 to ensure that violations regarding the requirement to provide the insured with a surcharge disclosure plan at the time of application and every renewal thereafter, as noted in the Report, do not occur in the future.

**Company Response:** The Company has amended its surcharge disclosure plan. The Company's surcharge disclosure plan for its Companion Auto policies is now compliant with the above-cited statutes and regulations and the estimated surcharge amount/percentage now matches the Company's filed and approved factors.

7. The Company must review Title 75, Pa. C.S. §1791.1(a) and (b) violations to ensure that an itemized invoice listing minimum coverages and tort options are provided at the time of application and every renewal thereafter as noted in the Report do not occur in the future.

**Company Response:** The Company has implemented form PP 1031PA 03 12 (for private passenger autos) and form RV 1031PA 03 12 (for recreational vehicles) to include the introductory language that the Commonwealth of Pennsylvania requires the insured be given an itemized listing of the minimum coverages required under Pennsylvania law. The relevant form will be presented to an insured in conjunction with the application process and upon each renewal. In addition, the Company has implemented form UA 100b (4-06), providing notice of the tort options, to be presented during the application process.

8. 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 to all drivers at every renewal, as noted in the Report, do not occur in the future.

**Company Response:** The Company has modified its programming and has implemented form PP 1031PA 03 12 for private passenger automobiles to advise insureds of the availability of certain premium discounts, as required under Pennsylvania law. The form will be provided on at new business and upon renewal.

9. The Company must review Title 75, Pa. C.S. §1725 to ensure that a notice as to whether the policy covers collision damage to rental vehicles, and any limitations on such coverage shall be printed on the first page of the policy in boldface capital letters.

**Company Response:** The Company has modified its declaration page for private passenger automobile policies to include the reference, in boldface capital letters, that the policy does include collision coverage for rental vehicles.

10. The Company must review Act 68, Section 2003 [40 P.S. §991.2003] to ensure that the violations relative to discrimination based on age, lawful occupation and the cancellation or refusal to renew by another insurer to write a policy, as noted in the Report, do not occur in the future.

**Company Response:** The Company has revised its underwriting rules to clarify that the infringing rules no longer apply to Pennsylvania policies.

11. The Company should review and revise guideline practices and procedures to ensure compliance with the requirements of Title 31, Pa. Code, Section 67.33(b)(4), so that the violations relating to accessing premium surcharge, as noted in the Report, do not occur in the future.

**Company Response:** The Company has amended its Companion Auto Rules Filing to clarify that no surcharge will be imposed for one violation of leaving the scene of an accident involving property damage only or excessive speeding in a 36-month period. The Company filed the amended rules and obtained approval on October 9, 2012.

12. The Company must review and revise internal control procedures to ensure compliance with data integrity in accordance with Insurance Department Act, Section 904(b) [40 P.S. §323.4], so that the violation noted in the Report does not occur in the future.

**Company Response:** The Company will work more closely with its staff to interpret the directives for compiling data requested by the Department. The Company recognizes the importance of ensuring compliance with data integrity and always intends to provide the Department with accurate information. Furthermore, the Company always intends to provide the Department with timely and convenient access to the Company's books, records, accounts, and documents. At no time did the Company refuse access to the Company's records, nor did the Company refuse to comply with the Department's reasonable requests.