pennsylvania
INSURANCE DEPARTMENT

COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT

MARKET CONDUCT
EXAMINATION REPORT

OF

CONTINENTAL MUTUAL
INSURANCE COMPANY
UPPER DARBY, PA

As of: June 6, 2019
Issued: July 29, 2019

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).

Paul E Towers III

(Examiner Name), Examiner-in-Charge

Sworn to and Subscribed Before me

This 6th Day of JUNE, 2019

Jean A Cuaz

Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Jean A. Cuaz, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires Feb. 26, 2021
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

CONTINENTAL MUTUAL INSURANCE COMPANY

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 28th day of March, 2018, 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 Christopher R. Monahan, 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.

Jessica K. Altman
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
CONTINENTAL MUTUAL INSURANCE COMPANY	:	40 P.S. §323.3(a)
1605 LBJ Freeway, Suite 700	:	40 P.S. §§1171.5(a)(9), 1171.5(a)(11)
Dallas, TX 75234	:	
	:	31 Pa. Code §§146.3, 146.5(a), 146.6, and 146.7(a)(1)
	:	
	:	
	:	
Respondent.	:	Docket No. MC19-07-001

CONSENT ORDER

AND NOW, this 29th day of July, 2019, 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 Continental Mutual Insurance Company and maintains its address at 1605 LBJ Freeway, Suite 700, Dallas, TX 75234.

(b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from January 1, 2017 through September 30, 2018.

(c) On June 6, 2019, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on June 21, 2019.

(e) The Market Conduct Examination of Respondent revealed violations of the following:

(i) 40 P.S. §323.3(a), requires every company subject to examination to keep all books, records, accounts, papers, documents and any computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require in order that its representatives may readily ascertain whether the company has complied with the laws of this Commonwealth;

(ii) 40 P.S. §1171.5(a)(9), prohibits cancellation of any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. No cancellation or refusal to renew by any person shall be effective unless a written notice of the cancellation or refusal to renew is received by the insured either the address shown in the policy or at a forwarding address.

(iii) 40 P.S. §1171.5(a)(11), requires a company to maintain a complete record of all the complaints it has received during the preceding four years;

(iv) 31 Pa. Code §146.3, requires the claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed;

(v) 31 Pa. Code §146.5(a), states every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice, unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated;

(vi) 31 Pa. Code §146.6, states that if an investigation cannot be completed within thirty (30) days, and every forty-five (45) days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected;

(vii) 31 Pa. Code §146.7(a)(1), requires within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer;

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 40 P.S. §§1171.5(a)(9) and 1171.5(a)(11) 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 40 P.S. §§1171.1 – 1171.5, the Commissioner may, under (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 31 Pa. Code §§146.3, 146.5(a), 146.6 and 146.7(a)(1), are punishable under Sections 1 through 5 and Section 9 of the Unfair Insurance Practices Act (40 P.S. §§1171.1 – 1171.5 and 1171.9):

(i) cease and desist from engaging in the prohibited activity;

(ii) suspension or revocation of the license(s) of Respondent.

(e) In addition to any penalties imposed by the Commissioner for Respondent's violations of 40 P.S. §§1171.1 – 1171.5, the Commissioner may, under (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).

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 pay Forty-Five Thousand Dollars ($45,000.00) in settlement of all violations contained in the Report.

(c) Payment of this matter shall be made to the Commonwealth of Pennsylvania. Payment should be directed to Crystal B. Welsh, Pennsylvania Insurance Department, Office of Market Regulation, RE: Bureau of Market Actions, 1209 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

(d) 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.

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

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

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

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

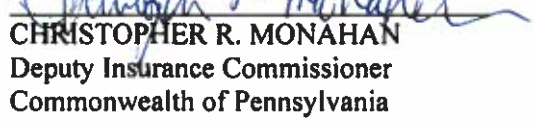
10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: CONTINENTAL MUTUAL INSURANCE COMPANY
Respondent

President / Vice President

Secretary / Treasurer



CHRISTOPHER R. MONAHAN
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Examination of Continental Mutual Insurance Company, hereinafter referred to as "Company", was conducted in the office of the Pennsylvania Insurance Department beginning on March 13, 2019. There was no onsite portion of the exam.

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 examination is hereby acknowledged.

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

Paul Towsen
Market Conduct Division Chief
Pennsylvania Insurance Department

Nanette Soliday
Market Conduct Examiner
Pennsylvania Insurance Department

Vern Schmidt
Market Conduct Examiner
Pennsylvania Insurance Department

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted in the office of the Pennslyvania Insurance Department. There was no onsite portion of the exam. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act of 1921 and covered the experience period of January 1, 2017, through September 30, 2018, 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. Personal Property
    - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, declinations, and rescissions.
    - Rating – Proper use of all classification and rating plans and procedures.

2. Claims

3. Forms

4. Complaints

5. Data Integrity

III. COMPANY HISTORY

Continental Mutual Insurance Company's home office is currently located in Upper Darby, Pennsylvania. Continental Mutual Insurance Company was formed as a mutual company on December 31, 1964 and commenced property and casualty business on May 15, 1965. Continental Mutual is domiciled in Pennsylvania and only does business in the state of Pennsylvania. Continental Mutual is owned by its policyholders. Continental Mutual is currently authorized to transact those classes of insurance described in 40 P.S. §382, (b)(1) Property and Allied Lines, and (c)(6) Burglary and Theft, and markets burglary and fire and theft coverage by a mix of career and independent agents through door-to-door sales. The Company's product line allows for issuance of small face amount of coverage for homes and possessions for fire and other perils. On April 17, 2015 Continental Mutual became part of the Liberty Bankers Life Insurance Company holding company system. Upon approval, the senior officers and directors of Liberty Bankers Life Insurance Company became officers and directors of Continental Mutual. Before April 17, 2015, Continental Mutual was managed by the officers and directors affiliated with the then-owners of Continental Life Insurance Company and Burlen Corporation.

LICENSING

Continental Mutual Insurance Company's last Certificate of Authority to write business in the Commonwealth was last issued on May 15, 1965. The Company is only licensed in Pennsylvania. The Company's 2017 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as $1,741,127. Premium volume related to Property Direct Written Premium was reported as Fire $1,612,915 and Burglary and Theft $128,212.

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 and supplements were furnished for dwelling fire (owner occupied). 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. Personal Property

1. 60-Day Cancellations

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

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

The universe of eight property policies, which were cancelled in the first 60 days of new business, was selected for review. The property policies consisted of owner occupied dwelling fire policies. All eight files requested were received and reviewed. There were no violations noted.

2. Midterm Cancellations

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

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

From the universe of 2,113 property policies which were cancelled midterm during the experience period, 75 files were selected for review. The property files consisted of 75 owner occupied dwelling fire. All 75 files were received and reviewed. The 75 violations noted were based on 75 files, resulting in an error ratio of 100%.

The following findings were made:

75 Violations 40 P.S. §1171.5(a)(9)

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. No cancellation or refusal to renew by any person shall be effective unless a written notice of the cancellation or refusal to renew is received by the insured either at the address shown in the policy or at a forwarding address. The Company failed to issue a written notice of cancellation for the 75 files noted.

The following concerns were noted:

CONCERN: The Company's Notice of Cancellation filed with the Department has no address and phone number to contact The Fair Plan. The Company should add the telephone number and address of The Fair Plan, so the insured can contact if needed.

CONCERN: The Company's Notice of Cancellation filed with the Department should only list the Harrisburg address/phone number for the Insurance Department for when a consumer requests a review by the Pennsylvania Insurance Commissioner.

3. Nonrenewals

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

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

The Company did not report any property nonrenewals during the experience period.

4. Declinations

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

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

The Company did not report any property declinations during the experience period.

5. Rescissions

A rescission is any policy which was void *ab initio* by the Company.

The primary purpose of the review was to determine compliance with Act 205, which establishes conditions under which action by the insurer is prohibited. The review also determines compliance with the rescission requirements established by the Supreme Court of Pennsylvania in Erie Insurance Exchange v. Lake.

The Company did not report any property rescissions during the experience period.

VI. RATING

A. Personal Property

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 purpose of the review was to measure compliance with Act 247, the Fire, Marine, and Inland Marine Rate Regulatory Act, Sections 4(a) and (i) (40 P.S. §1224(a)(i)), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

Dwelling Fire Owner Occupied Rating – New Business without Surcharges

From the universe of 2,155 dwelling fire owner occupied policies identified as new business without surcharges by the Company, 45 files were selected for review. All 45 policy files requested were received and reviewed. No violations were noted.

2. Renewals

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

The purpose of the review was to measure compliance with Act 247, the Fire, Marine, and Inland Marine Rate Regulatory Act, Sections 4(a) and (i) (40 P.S. §1224(a)(i)), which require every insurer to file with the Insurance

Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

Dwelling Fire Owner Occupied Rating – Renewals without Surcharges

From the universe of 4,639 dwelling fire owner occupied policies identified as renewals without surcharges by the Company, 65 files were selected for review. All 65 policy files requested were received and reviewed. The two violations noted were based on two files, resulting in an error ratio of 3%.

The following findings were made:

2 Violations *40 P.S. §323.3(a)*

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. In addition, every insurer shall file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. The Company failed to provide a complete rating file for the two violations noted.

VII. CLAIMS

The Company was requested to provide copies of all established written claim handling procedures utilized during the experience period. Written claim handling procedures were received and reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

The Claims review consisted of the following areas of review:

A. Dwelling Fire Owner Occupied Claims

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

A. Dwelling Fire Owner Occupied Claims

From the universe of 193 dwelling fire owner occupied claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The 24 violations noted were based on 19 files, resulting in an error ratio of 38%.

The following findings were made:

3 Violations 31 Pa. Code §146.3

The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed. The Company failed to provide a complete file for the three claims noted.

1 Violation 31 Pa. Code §146.5(a)

Every insurer, upon receiving notification of a claim, shall, within 10 working days, acknowledge the receipt of the notice unless payment is made within the period of time. If an acknowledgement is made by means other than writing, an appropriate notation of the acknowledgement shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company failed to acknowledge the claim within 10 working days for the file noted.

6 Violations 31 Pa. Code §146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot be reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be

expected. The Company did not provide timely status letters for the six files noted.

14 Violations 31 Pa. Code §146.7(a)(1)

Acceptance or denial of a claim shall comply with the following: Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. An insurer may not deny a claim on the grounds of a specific policy provision, condition or exclusion unless reference to the provision, condition or exclusion is included in the denial. The denial shall be given to the claimant in writing and the claim file of the insurer shall contain a copy of the denial. The Company failed to provide acceptance or denial of the claim within 15 working days and/or failure to deny the claim in writing for the 14 files noted.

The following concern was noted:

CONCERN: When the Company closes a claim file with no payment, it is not providing the policyholder/clamant with written notice indicating its action. The Company should provide policyholders/claimants with written notice when a claim file is being closed with no payment.

VIII. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with the 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 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 and 18 Pa. C.S. §4117(k)(1), which requires all insurers to provide an insurance fraud notice on all applications for insurance and all claim forms. No violations were noted.

IX. 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 three consumer complaints received during the experience period and provided all consumer complaint logs requested. The universe of three complaint files was selected for review. All three files requested were received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, (40 P.S. §§1171.1 – 1171.5). Section 5(a)(11) of the Act (40 P.S. §1171.5(a)(11)), 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 individual complaint files were reviewed for the relevancy to applicable statues and to verify compliance with 31 Pa. Code §146.5(b)(c).

The following findings were made:

2 Violations *40 P.S. §1171.5(a)(11)*

Failure of any person to maintain a complete record of all the complaints which it has 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. For purposes of this paragraph, "complaint" means any written communication primarily expressing a grievance.

The complaint log for 2017 does not indicate the total number of complaints and the time it took to process each complaint. The complaint log for 2018 does not indicate the total number of complaints, the time it took to process each complaint, and the line of insurance.

The following concern was noted:

CONCERN: In one of the files reviewed, the Company collected monthly payments after the policyholder's mortgage company had already paid the yearly premium. It took over a month for the agent to respond to insured when questioned about making dual payments. The Company should provide timely communication to the insured indicating when they are in paid ahead status and answering any questions about being paid ahead.

The following synopsis reflects the nature of the 3 complaints that were received.

1	Agency Conduct	33%
2	Claims Related	67%
100		100%

X. DATA INTEGRITY

As part of the examination, the Company was sent a preliminary examination packet in accordance with NAIC uniformity standards and provided specific information relative to the exam. The purpose of the packet was to provide certain basic examination information, identify preliminary requirements and to provide specific requirements for requested data call information. Once the Company provided all requested information and data contained within the data call, the Department reviewed and validated the data to ensure its accuracy and completeness to determine compliance with Insurance Department Act of 1921, Section 904(b) (40 P.S. §323.4(b)). No violations were noted.

XI. 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 reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.3(a), so that violations noted in the Report do not occur in the future.

2. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to acknowledgement, status letters and acceptance and denials, as noted in the Report do not occur in the future.

3. The Company must review 31 Pa Code §146.3 with its claim staff to ensure the claims department maintains complete claim files.

4. The Company must review 40 P.S. §1171.5(a)(9) to ensure that violations regarding the requirements for cancellations notices, as noted in the report, do not occur in the future. The Company must maintain the following in their files: (A proof of mailing, if the notice is mailed to the insured, or a signed receipt of delivery (signed by the insured), if the notice is hand delivered to the insured by the agent).

5. The Company must review 40 P.S. §1171.5(a)(11) to ensure that a complete complaint log is maintained.

XII. COMPANY RESPONSE

Continental Mutual
Insurance Company

June 21, 2019

Paul E. Towsen III
Chief, Property & Casualty Division
Office of Market Regulation
Pennsylvania Insurance Department
1321 Strawberry Square
Harrisburg, PA 17120

RE: Examination Warrant Number: 18-M36-026

Dear Mr. Towsen,

Continental Mutual Insurance Company (hereinafter "the Company") is in receipt of your correspondence date June 6, 2019 and containing the Pennsylvania Insurance Department's Report of Examination of Continental Mutual ("The Report").

The Company takes its obligations to comply with regulatory and statutory requirements in all states very seriously. The Company is committed to continued improvement in its processes, procedures, and controls to ensure compliance with regulatory and statutory requirements. The findings identified during this examination will help the Company to better achieve this objective.

The Report cited the Company in specific areas and recommends the Company take corrective action. We reviewed and evaluated the Department's recommendations, and are working with the appropriate business and compliance personnel to improve existing established procedures and implement appropriate corrective action where needed.

With regard to **Section XI, Recommendations**, we respectfully submit the following responses:

1. **The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.3(a), so that violations noted in the Report do not occur in the future.**

   Company Response:
   The Company accepts the recommendations noted by the Department. The Company submits that it has processes, procedures, and internal data controls in place to help ensure records and documents are maintained in accordance with 40 P.S. §323.3(a). To help prevent further instances of such error, the Company will recommunicate its established processes and procedures to all claims handling adjusters.

2. **The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to acknowledgement, status letters, and acceptance and denials, as noted in the Report, do not occur in the future.**

Company Response:
The Company accepts the recommendations noted by the Department. To help prevent further instances of such errors, we will reinforce to our claims staff the importance of sending status letters to the policyholders/claimants informing them of the claim status, consistent with the above referenced regulation.

3. **The Company must review 31 Pa Code §146.3 with its claim staff to ensure the claims department maintains complete claim files.**

   Company Response:
   The Company accepts the recommendations noted by the Department. To help prevent further instances of such errors, the Company will recommunicate its processes and procedures to all claims staff.

4. **The Company must review 40 P.S. §1171.5(a)(9) to ensure that violations regarding the requirements for nonrenewal and cancellation notices, as noted in the Report, do not occur in the future.**

   Company Response:
   The Company accepts the recommendations noted by the Department. To help prevent further instances of such errors, the Company is in the process of revising its procedures to ensure the requirements for non-renewal and cancellation notices are corrected as noted in the referenced statute and the Report. We also note the Department's concerns regarding the phone and address of The Fair Plan and Department address, and will make revisions to the form accordingly.

5. **The Company must review 40 P.S. §1171.5(a)(11) to ensure that a complete complaint log is maintained.**

   Company Response:
   The Company accepts the recommendations noted by the Department. To help prevent further instances of such errors, the Company will review and revise its processes and procedures to ensure that a complete complaint log is maintained, including the total number of complaints, the disposition of complaints, and the time it took to process each complaint as indicated in 40 P.S. §1171.5(a)(11).

Thank you for your consideration on this matter and for providing us with an opportunity to respond to the Report. We wish to offer our gratitude to the Department and each individual examiner for the courtesies granted to us throughout the course of this examination.

Sincerely,

Eric Johansson
Chief Operations Officer