COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT

MARKET CONDUCT
EXAMINATION REPORT

OF

GEICO CASUALTY COMPANY
CHEVY CHASE, MD

As of: November 5, 2014
Issued: December 24, 2014

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).

June A. Coleman

June A. Coleman, MCM, Examiner-In-Charge

Sworn to and Subscribed Before me

This 5th Day of November, 2014

Alexis Brubaker

Notary Public

NOTARIAL SEAL
Alexis Brubaker
NOTARY PUBLIC
Rapho Twp, Lancaster County
My Commission Expires 04/26/2017

GEICO CASUALTY COMPANY

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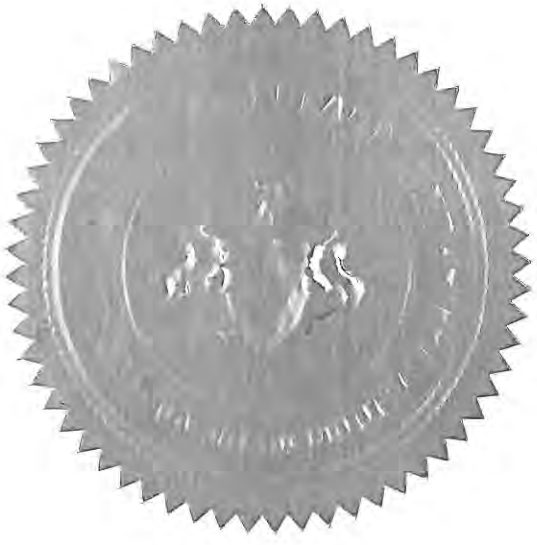
BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 10 day of March, 2014, 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 Arthur F. McNulty, 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:
	:	
GEICO CASUALTY COMPANY	:	40 P.S. §323.4(b)
5260 Western Avenue	:	
Chevy Chase, MD 20815-3799	:	40 P.S. §§991.2002(c)(3), 991.2006
	:	991.2006(2), 991.2006(6) and 991.2008(b)
	:	
	:	40 P.S. §§1171.4
	:	
	:	40 P.S. §1184
	:	
	:	18 Pa. Code §6310.4(d)
	:	
	:	31 Pa. Code §§69.21, 69.52(a), 69.53(a)
	:	and 146.6
	:	
	:	75 Pa. C.S. §§1161(a)(b), 1786(e)(3),
	:	1791.1(b), 1793(b), 1797(b)(1)
	:	and 1799.2(a)
	:	
	:	
Respondent.	:	Docket No. MC14-11-001

CONSENT ORDER

AND NOW, this 24th day of December, 2014, 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 GEICO Casualty Company and maintains its address at 5260 Western Avenue, Chevy Chase, MD 20815-3799.

(b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from July 1, 2012 through June 30, 2013.

(c) On November 5, 2014, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on November 25, 2014.

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

(i) 40 P.S. §323.4(b), 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) 40 P.S. §991.2002(c)(3), requires that an insurer supply the insured with a written statement of the reason for cancellation;

(iii) 40 P.S. §991.2006, requires that cancellation by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the insured a written notice of the cancellation;

(iv) 40 P.S. §991.2006(2), prohibits a cancellation or refusal to renew from being effective unless the insurer delivers or mails a written notice of the cancellation or refusal to renew, which will include the date, not less than 60 days after the date of mailing or delivery, on which the cancellation or refusal to renew shall become effective. When the policy is being cancelled or not renewed for reasons set forth in Sections 2004(1) and (2), however, the effective date may be 15 days from the date of mailing or delivery;

(v) 40 P.S. §991.2006(6), requires that a cancellation notice advise the insured that he must obtain compulsory automobile insurance coverage if he operates or registers a motor vehicle in this Commonwealth and that the insurer is notifying the Department of Transportation that the insurance is being cancelled and the insured must notify the Department of Transportation that he has replaced said coverage;

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

(vii) 40 P.S. §1171.4, prohibits any person to engage in this state in any trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to this act;

(viii) 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 this Commonwealth and prohibits an insurer from making or issuing a contract or policy with rates other than those approved;

(ix) 31 Pa. Code §69.21, prohibits the provider from requiring payment in excess of Medicare payment pertaining to the applicable specialty under Medicare for comparable services at the time services were rendered, or the provider's usual and customary charge, whichever is less. An insurer shall use the Medicare payment applicable in this Commonwealth to determine the appropriate payment. The applicable Medicare payment shall be utilized even when a service is not a reimbursed service under Medicare. If no Medicare payment has been calculated, payment shall be 80% of the provider's usual and customary charge;

(x) 31 Pa. Code §69.52(a), requires an insurer to refer a provider's bill to a Peer Review Organization only when circumstances or conditions relating to

medical and rehabilitative services provided cause a prudent person, familiar with Peer Review Organization procedures, standards and practices, to believe it necessary that a Peer Review Organization determine the reasonableness and necessity of care, the appropriateness of the setting where the care is rendered, and the appropriateness of the delivery of the care. The insurer shall notify a provider, in writing, when referring bills for Peer Review Organization review at the time of referral;

(xi) 31 Pa. Code §69.53(a), requires a Peer Review Organization to contract, in writing, jointly or separately with an insurer for the provision of peer review services as authorized by Act 1990-6 and this chapter.

(xii) 31 Pa. Code §146.6, states that if an investigation cannot 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;

(xiii) 18 Pa. C.S. §6310.4(d), requires an insurer not to increase premiums, impose any surcharge or rate penalty, or make any driver record point assignment for automobile insurance, nor shall an insurer cancel or refuse to renew an automobile insurance policy on account of a suspension under this section.

(xiv) 75 Pa. C.S. §1161(a)&(b), states an insurer who owns, possesses or transfers a vehicle located or registered in the Commonwealth which qualifies as a salvage vehicle shall make application to the Department for a certificate of salvage for that vehicle.

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

(xvi) 75 Pa. C.S. §1791.1(b), requires an insurer to provide an insured with a notice of the availability of two alternatives of full tort insurance and limited tort insurance;

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

(xviii) 75 Pa. C.S. §1797(b)(1), requires that a peer review plan for challenges to reasonableness and necessity of treatment by the insurer shall contract jointly or separately with any peer review organization for the purpose of evaluating treatment, health care services, products or accommodations provided to any injured person;

(xix) 75 Pa. C.S. §1799.2(a), requires insurers to provide a premium discount for each motor vehicle on a policy under which all named insureds are 55 years of age or older and have successfully completed a motor vehicle driver improvement course meeting the standards of the Department of Transportation. This discount shall apply to all coverages for all policy periods beginning within the three-year period immediately following the successful completion of the course and shall be provided by the Commissioner as part of the insurer's rate filing, provided that such discount shall not be less than 5%.

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) Violations of §§991.2002(c)(3), 991.2006, 991.2006(2), 991.2006(6) and 991.2008(b) (relating to motor vehicles) of 40 P.S. are punishable by the following, under Section 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).

(c) Respondent's violations of 40 P.S. §1171.4 is punishable by the following, under Section 9 of the Unfair Insurance Practices Act (40 P.S. §1171.9):

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

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

(d) In addition to any penalties imposed by the 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).

(e) Violations of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. §1184) are punishable under Section 16 of the Act:

(i) imposition of a civil penalty not to exceed $50 for each violation or not more than $500 for each such willful violation;

(ii) suspension of the license of any insurer which fails to comply with an Order of the Commissioner within the time limited by such Order, or any extension thereof which the Commissioner may grant.

(f) Respondent's violations of 31 Pa. Code §146.6 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.

(g) 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) Respondents shall pay One Hundred Twenty-Five Thousand Dollars ($125,000.00) to the Commonwealth of Pennsylvania of which One Hundred Five Thousand Dollars ($105,000) is in settlement of all violations identified during the examination, and Twenty Thousand Dollars ($20,000) is for reimbursement to the Department for costs and expenditures of resources associated with the examination.

(c) Payment of this matter shall be made by two checks payable to the Pennsylvania Insurance Department. Payment should be directed to April Phelps, Insurance Department, Bureau of Market Actions, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than fourteen (14) 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: GEICO CASUALTY COMPANY,
Respondent

V.P

President / Vice President

Asst. Secretary ~~/ Treasurer~~ V.P & General Counsel

ARTHUR F. MCNULTY
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The market conduct examination was conducted at the office of GEICO Casualty Company, hereinafter referred to as "Company," located in Fredericksburg, Virginia from March 17, 2014, through March 27, 2014. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

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

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

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

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

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

Constance L. Arnold, MCM
Market Conduct Division Chief
Pennsylvania Insurance Department

Kelly Krakowski
Market Conduct Examiner
Pennsylvania Insurance Department

Karen Veronikis
Market Conduct Examiner
Pennsylvania Insurance Department

James R Myers, AMCM
Market Conduct Examiner
INS Regulatory Insurance Services

June A Coleman, AMCM
Market Conduct Examiner
INS Regulatory Insurance Services

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on GEICO Casualty Company, at its office located in Fredericksburg, Virginia. 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 July 1, 2012, through June 30, 2013, unless otherwise noted. The purpose of the examination was to determine the Company's compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

1. Private Passenger Automobile
   - Underwriting - Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, rescissions and declinations.
   - Rating - Proper use of all classification and rating plans and procedures.
2. Claims
3. Forms
4. Advertising
5. Complaints
6. Producer Licensing
7. Data Integrity
8. MCAS Reporting

III. COMPANY HISTORY

GEICO Casualty Company ("GC") was incorporated on August 31, 1982, in the state of Maryland under the name of Guardian Casualty Company as a wholly-owned subsidiary of Criterion Insurance Company (later renamed GEICO Indemnity Company). The Company's name was changed to Criterion Casualty Company in 1983 and to its current name in 1994. Its parent company, GEICO Indemnity Company, is a wholly-owned subsidiary of GEICO Corporation. On January 2, 1996, GEICO Corporation, previously a publicly owned Delaware corporation listed on the New York Stock Exchange, became an indirect wholly-owned subsidiary of Berkshire Hathaway Inc.

GC's charter powers permit the writing of all forms of property and casualty insurance coverage, and it is licensed to do business in all states. GC has historically offered non-standard risk automobile insurance to the military market principally through general field representatives, now known as "GDRs." Its insurance policies are also sold to the general non-standard risk market through direct response marketing techniques.

LICENSING

GEICO Casualty Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2014. The Company is licensed in all states. The Company's 2013 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as $163,107,007. Premium volume related to the Private Passenger Automobile Direct Written

Premium was reported as Other Private Passenger Auto Liability $89,244,665, Private Passenger Auto No-Fault (personal injury protection) $14,442,672 and Private Passenger Auto Physical Damage $59,419,670.

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

V. UNDERWRITING

A. Private Passenger Automobile

1. 60-Day Cancellations

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

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

From the universe of 12,050 private passenger automobile policies that were cancelled within the first 60 days of new business, 75 files were selected for review. All 75 files requested were received and reviewed. The eight (8) violations noted were based on the universe of 12,050 files, resulting in an error ratio of .07%.

The following findings were made:

8 Violations *40 P.S. §1171. 4*

40 P.S. §991.2002(c)(3)

Prohibits any trade practice which is defined or determined to be an unfair method of competition or unfair or deceptive act or practice in the business of insurance. In addition, an

insurer is required to supply the insured with a written statement of the reason for cancellation. The eight (8) files noted were policies systematically cancelled within the first 60 days of new business for a new loss and were rewritten into a higher tier. The Company did not send a cancellation notice for the eight (8) files noted. The refund amount for those policyholders that were re-tiered was $2,297.76.

2. Mid-term Cancellations

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

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

From the universe of 27,575 private passenger automobile policies which were cancelled during the experience period, 175 files were selected for review. All 175 files requested were received and reviewed. Of the 175 files reviewed, 107 files were identified as midterm cancellations and 68 files were identified as 60-day cancellation. The 51 files with violations were based on the universe of 27,575, resulting in an error ratio of .18%.

The following findings were made:

46 Violations 40 P.S. §1171. 4

40 P.S. §991.2002(c)(3)

Prohibits any trade practice which is defined or determined to be an unfair method of competition or unfair or deceptive act or practice in the business of insurance. In addition, an insurer is required to supply the insured with a written statement of the reason for cancellation. The 46 files noted were policies systematically cancelled within the first 60 days of new business for a new loss and were rewritten into a higher tier. The Company did not send a cancellation notice for the 46 files noted. The refund amount for those policyholders that were re-tiered was $24,254.28.

1 Violation *40 P.S. §991.2008(b)*

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

5 Violations *40 P.S. §323.4(b)*

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 five (5) violations resulted in the failure to provide documentation to support the insured requested cancellation.

3. Nonrenewals

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

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

From the universe of 1,572 private passenger automobile policies which were nonrenewed during the experience period, 100 files were selected for review. All 100 files requested were received and reviewed. The 10 violations noted were based on 10 files, resulting in an error ratio of 10%.

The following findings were made:

1 Violation *40 P.S. §991.2006*

Requires that nonrenewal by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the insured a written notice of the nonrenewal. The file noted did not contain evidence that a nonrenewal notice was sent to the insured.

9 Violations 40 P.S. §323.4(b)

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 nine (9) violations resulted in the failure to provide documentation to support the insured requested cancellation.

4. Declinations

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

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

From the universe of 8,071 declinations for private passenger auto insurance, 75 files were selected for review. All 75 files requested were received and reviewed. The four (4) violations noted were based on four (4) files, resulting in an error ratio of 5%.

The following findings were made:

4 Violations 40 P.S. §991.2008(b)

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or

reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The four (4) files noted were the result of the Company not providing a specific reason for the refusal to write a policy.

The following concern was noted:

CONCERN: The Company's website does not provide customers who are declined specific information regarding the reason for declination. The website also does not advise the applicant of the right to review. The Company should, on its website, provide declined customers with the same specific information and right of review that is later mailed to them in letter format.

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 68, Section 2003 (40 P.S. §991.2003), 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.

From the universe of 1,054 private passenger automobile policies that were identified by the Company as rescissions during the experience period, 30

files were selected for review. All 30 files requested were received and reviewed. No violations were noted.

VI. RATING

A. Private Passenger Automobile

1. New Business

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

The primary purpose of the review was to measure compliance with The Casualty and Surety Rate Regulatory Act, Section 4(a) and (h) (40 P.S. §1184(a), (h)), 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 the Motor Vehicle Financial Responsibility Law (75 Pa. C.S. §§1701 – 1799.7) 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.

Private Passenger Automobile Rating – New Business without Surcharges

From the universe of 74,352 personal automobile policies identified as new business without surcharges by the Company, 75 files were selected for review. The Company was asked to provide an additional policy file during the examination review. All 76 policy files requested were received and reviewed. The 149,185 violations noted were based on the universe of 74,352 files, resulting in an error ratio of 100%.

The following findings were made:

481 Violations 40 P.S. §1184

75 Pa. C.S. §1799.2(a)

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. In addition, the application of the driver improvement course discount shall apply to all coverages. The Company failed to apply the required 5% driver improvement course discount on the total policy for the 481 files noted resulting in overcharges of $ 5,959.28.

74,352 Violations 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.

74,352 Violations 75 Pa. C.S. §1793(b)

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

The following concern was noted:

CONCERN: Consumers can purchase auto insurance through the Company's website. The Company provides the required disclosures and forms on the website. The consumer needs to open a link in the site to view the required disclosure and forms. It is a concern that the consumer is not shown the forms when viewing and choosing the options and coverages for the auto policy. The Company should provide the required disclosures and forms as part of the application format and not as a separate link within the website.

Private Passenger Automobile Rating – New Business with Surcharges

From the universe of 12,618 personal automobile policies identified as new business with surcharges by the Company, 75 files were selected for review. The Company was asked to provide an additional policy file during the examination review. All 76 policy files requested were received and reviewed. The 25,306 violations noted were based on the universe of 12,618 files, resulting in an error ratio of 100%.

The following findings were made:

67 Violations *40 P.S. §1184*

75 Pa. C.S. §1799.2(a)

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. In addition, the application of the driver improvement course discount shall apply to all coverages. The Company failed to apply the required 5% driver improvement course discount on the total policy on the 67 files noted resulting in overcharges of $998.02.

3 Violations *18 Pa. C.S. §6310.4(d)*

Requires an insurer not to increase premiums, impose any surcharge or rate penalty, or make any driver record point assignment for automobile insurance, nor shall an insurer cancel or refuse to renew an automobile insurance policy on

account of a suspension under this section. The three (3) violations noted were the result of the Company surcharging for underage alcohol violations resulting in overcharges of $310.38.

12,618 Violations 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.

12,618 Violations 75 Pa. C.S. §1793(b)

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

The following concern was noted:

CONCERN: Consumers can purchase auto insurance through the Company's website. The Company provides the required disclosures and forms on the website. The consumer needs to open a link in the site to view the required disclosure and forms. It is a concern that the consumer is not

shown the forms when viewing and choosing the options and coverages for the auto policy. The Company should provide the required disclosures and forms as part of the application format and not as a separate link within the website.

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 The Casualty and Surety Rate Regulatory Act, Section 4(a) and (h) (40 P.S. §1184(a), (h)), 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 of 1998, Section 2005(c) (40 P.S. §991.2005(c)), which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance, or as a result of any other factors.

The Company processes and issues personal automobile policies using an automated system. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the

examiners were able to determine compliance with the Company's filed and approved rating plans.

Private Passenger Automobile – Renewals without Surcharges

From the universe of 32,432 personal automobile policies identified as renewals without surcharges, 75 files were selected for review. The Company was asked to provide an additional policy file during the examination review. All 76 policy files requested were received and reviewed. The 32,752 violations noted were based on the universe of 32,432 files, resulting in an error ratio of 100%.

The following findings were made:

320 Violations 40 P.S. §1184

75 Pa. C.S. §1799.2(a)

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. In addition, the application of the driver improvement course discount shall apply to all coverages. The Company failed to apply the required 5% driver improvement course discount on the total policy on the 320 files noted resulting in overcharges of $5,922.44.

32,432 Violations 75 Pa. C.S. §1793(b)

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

Private Passenger Automobile – Renewals with Surcharges

From the universe of 6,017 private passenger automobile policies identified as renewals with surcharges, 75 files were selected for review. The Company was asked to provide an additional policy file during the examination review. All 76 policy files requested were received and reviewed. Of the 76 files, 74 files were identified as renewals with surcharges and two (2) files were identified as renewals without surcharges. The 6,056 violations noted were based on the universe of 6,017 files, resulting in an error ratio of 100%.

The following findings were made:

39 Violations 40 P.S. §1184

75 Pa. C.S. §1799.2(a)

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. In addition, the application of the driver improvement course discount shall apply to all coverages. The Company failed to apply the required 5% driver improvement course discount on the total policy on the 39 files noted resulting in overcharges of $1,476.93.

6,017 Violations 75 Pa. C.S. §1793(b)

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

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. Automobile Property Damage Claims
B. Automobile Comprehensive Claims
C. Automobile Collision Claims
D. Automobile Total Loss Claims
E. Automobile First Party Medical Claims
F. Automobile First Party Medical Claims Referred to a PRO

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. Automobile Property Damage Claims

From the universe of 7,700 private passenger automobile property damage claims reported during the experience period, 65 files were selected for review. All 65 files selected were received and reviewed. No violations were noted.

B. Automobile Comprehensive Claims

From the universe of 2,534 private passenger automobile comprehensive claims reported during the experience period, 40 files were selected for review. All 40 files selected were received and reviewed. Of the 40 files, 37 files were identified as comprehensive claims, two (2) files were identified as total loss claims, and one (1) file was identified as a collision claim. No violations were noted.

C. Automobile Collision Claims

From the universe of 6,830 private passenger automobile collision claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The two (2) violations noted were based on two (2) files, resulting in an error ratio of 4%.

The following findings were made:

2 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 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 two (2) claims noted.

D. Automobile Total Loss Claims

From the universe of 2,060 private passenger automobile total loss claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The seven (7) violations noted were based on six (6) files, resulting in an error ratio of 12%.

The following findings were made:

2 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 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 two (2) claims noted.

5 Violations *75 Pa. C.S. §1161(a)(b)*

Requires a person, including an insurer or self-insurer who owns, possesses or transfers a vehicle located or registered in the Commonwealth which qualifies as a salvage vehicle shall make application to the Department for a certificate of salvage for that vehicle. An owner who transfers a vehicle to be destroyed or dismantled, salvaged or recycled shall assign the certificate of title to the person to whom the vehicle is transferred. Except as provided in Section 1163, the transferee shall immediately present the assigned certificate of title to the Department with an application for a certificate

of salvage upon a form furnished and prescribed by the Department. An insurer to which title to a vehicle is assigned upon payment to the insured or claimant of the replacement value of a vehicle shall be regarded as a transferee. The Company did not provide a copy of a Pennsylvania certificate of salvage for the five (5) claims noted.

E. Automobile First Party Medical Claims

From the universe of 2,720 private passenger automobile first party medical claims reported during the experience period, 65 claim files were selected for review. All 65 files requested were received and reviewed. The violation noted resulted in an error ratio of 2%.

The following finding was made:

1 Violation *31 Pa. Code §69.21*

A provider may not require payment in excess of the Medicare payment pertaining to the applicable specialty under Medicare for comparable services at the time services were rendered, or the provider's usual and customary charge, whichever is less. An insurer shall use the Medicare payment applicable in this Commonwealth to determine the appropriate payment. The applicable Medicare payment shall be utilized even when a service is not a reimbursed service under Medicare. If no Medicare payment has been calculated, payment shall be 80% of the provider's usual and customary charge. The Company failed to pay 80% of the prescription invoice for the claim noted.

G. Automobile First Party Medical Claims Referred to a PRO

From the universe of 24 automobile first party medical claims that were referred to a peer review organization by the Company, 15 files were selected for review. All 15 files were received and reviewed. The Company was also asked to provide a copy of all peer review contracts in place during the experience period. The two (2) violations noted were based on one (1) file, resulting in an error ratio of 7%.

The following findings were made:

1 Violation *31 Pa. Code §69.53(a)*
75 Pa. C.S. §1797(b)(1)

A Peer Review Organization shall contract, in writing, jointly or separately with an insurer for the provision of peer review services as authorized by Act 1990-6 and this chapter. Peer review plan for challenges to reasonableness and necessity of treatment. Peer review plan. Insurers shall contract jointly or separately with any peer review organization established for the purpose of evaluating treatment, health care services, products or accommodations provided to any injured person. Such evaluation shall be for the purpose of confirming that such treatment, products, services or accommodations conform to the professional standards of performance and are medically necessary. An insurer's challenge must be made to a PRO within 90 days of the insurer's receipt of the provider's bill for treatment or services or may be made at any time for continuing treatment or services. The Company failed to have a written contract in place with one of its Peer Review Organizations.

1 Violation *31 Pa. Code §69.52(a)*

Requires an insurer to refer a provider's bill to a PRO only when circumstances or conditions relating to medical and rehabilitative services provided cause a prudent person, familiar with PRO procedures, standards and practices, to believe it necessary that a PRO determine the reasonableness and necessity of care, the appropriateness of the setting where the care is rendered, and the appropriateness of the delivery of the care. The insurer shall notify a provider, in writing, when referring bills for PRO review at the time of referral. The Company did not notify the provider, in writing, upon referring bills to a PRO for the claim noted.

VIII. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with 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 Title 75, Pa. C.S. §1822, which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage. No violations were noted.

IX. ADVERTISING

The Company was requested to provide copies of all advertising, sales material and internet advertisements in use during the experience period. The Company provided 1,603 pieces of advertising which included brochures, newspaper and magazine ads, mail solicitation, radio and television media, and sports advertising in arena and stadiums. Internet advertising was also reviewed.

The purpose of this review was to determine compliance with Act 205, Section 5 (40 P.S. §1171.5), which defines unfair methods of competition and unfair or deceptive acts or practices in the business of insurance, as well as Title 31, Pennsylvania Code, Section 51.2(c) and Section 51.61. No violations were noted.

X. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the preceding four years. The Company identified 115 consumer complaints received during the experience period and provided all consumer complaint logs requested. From the universe of 115 complaint files, 30 files were selected for review. A request was also made to the Company to provide 12 complaint files from outside the examination's experience period. An additional 12 complaint files from the period of October 1, 2013 to April 22, 2014 were received and reviewed. All 42 files 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:

9 Violations *40 P.S. §991.2006(2)*
40 P.S. §991.2006(6)
75 Pa. C.S. §1786(e)(3)

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall

become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. Also, the cancellation notice must advise the insured that he must obtain compulsory automobile insurance coverage if he operates or registers a motor vehicle in this Commonwealth and that the insurer is notifying the Department of Transportation that the insurance is being cancelled and the insured must notify the Department of Transportation that he has replaced said coverage. In addition, an insurer who has issued a contract of motor vehicle liability insurance and knows or has reason to believe that the contract is only for the purpose of providing proof of financial responsibility shall notify the department if the insurance has been canceled or terminated by the insured or by the insurer. The insurer shall notify the department not later than ten days following the effective date of the cancellation or termination. The Company failed to provide to the Department of Transportation the correct date of cancellation for nonpayment at 6 month renewal for the nine (9) files noted.

6 Violations *40 P.S. §991.2006(6)*

75 Pa. C.S. §1786(e)(3)

Requires an insurer to deliver or mail to the named insured a cancellation notice and it must advise the insured that he must obtain compulsory automobile insurance coverage if he operates or registers a motor vehicle in this Commonwealth and that the insurer is notifying the Department of Transportation that the insurance is being cancelled and the insured must notify the Department of Transportation that he has replaced said coverage. In addition, an insurer who has issued a contract of motor vehicle liability insurance

and knows or has reason to believe that the contract is only for the purpose of providing proof of financial responsibility shall notify the department if the insurance has been canceled or terminated by the insured or by the insurer. The insurer shall notify the department not later than ten days following the effective date of the cancellation or termination. The Company failed to provide to the Department of Transportation the correct date of cancellation for nonpayment for the six (6) files noted.

1 Violation *40 P.S. §991.2006(2)*

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

2 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 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 two (2) files noted.

The following concern was noted:

CONCERN: The Company received an inquiry from the Department and responded to the Department in 21 working days. The Company should respond to the Department's inquiry within 15 working days.

The following synopsis reflects the nature of the 42 complaints that were reviewed.

30	Cancellation/Nonrenewal	71%
5	Declinations	12%
5	Claims Related	12%
2	Premium	5%
42		100%

XI. PRODUCER LICENSING

In order to determine compliance by the Company and its agency force with the licensing requirements applicable to Section 641.1-A(a) and Section 671-A of the Insurance Department Act No. of 1921, (40 P.S. §§310.41(a)a, 310.71), the Company was requested to furnish a list of all active producers during the experience period and a listing of all producers terminated during the experience period. Underwriting and rating files were checked to verify proper licensing and appointment.

The following concern was noted:

CONCERN: The Company does not print the name of the Producer of Record on any policy documents. The Company should print the name of the Producer of Record on policy documents that are provided to the insured and maintain these records so that compliance can easily be determined.

XII. 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)). Several data integrity issues were found during the on-site portion of the exam.

The data integrity issue of each area of review is identified below.

Midterm Cancellations

Situation: As the examiners reviewed the midterm cancellation files of the underwriting section, it was noted that not all the 175 files selected for review were midterm cancellation files.

Finding: Of the 175 midterm cancellation files reviewed, 68 were identified as 60-day cancellations.

Comprehensive Claims

Situation: As the examiners reviewed the comprehensive claims files of the exam, it was noted that not all the 40 files selected for review were comprehensive claims.

Finding: Two (2) files were identified as total loss claims, and one (1) file was identified as a collision claim.

Rating – Renewals with Surcharges

Situation: As the examiners reviewed the renewals with surcharges files of the rating section, it was noted that not all the 75 files selected for review were renewals with surcharges files. The Company was asked to provide a list of all renewal policies, with inception dates during the experience period for Private Passenger Automobile with surcharges (surcharged for accidents and citations).

Finding: Two files of the 75 renewals with surcharges files were not surcharged for accidents or citations during the experience period.

Rating - New Business/Renewals with and without Surcharges Sections

Situation 1: The Company was asked to provide two lists during the file review phase of the exam. One list was to contain all policies for each of the four rating sections where the Company applied the defensive driver course discount for only one driver on a policy with multiple drivers. The second list was to contain all policies for each of the four ratings sections where the defensive driver course discount was applied to a policy.

Finding 1: The lists were provided on June 11, 2014. An examiner reviewed the two lists for completeness and accuracy. It was noted that policies where the defensive driver course discount was applied were not on one of the two lists and some of the policies were not in the correct rating section category. The Department emphasized the importance of the Company providing accurate information during a conference

call on June 12, 2014 and that the Department was noting data integrity issues within the review. The Company, at that time, ensured that it would verify and confirm the accuracy of materials being provided for the review. Revised lists were then provided on June 16, 2014 and were verified as being accurate and complete.

Situation 2: The Company provided on June 13, 2014 an Info for Rating spreadsheet that listed relevant rating factors for four policies where the defensive driver course discount was applied for one driver on a policy that had multiple drivers.

Finding 2: On June 16, 2014, it was noted the Info for Rating spreadsheet contained incomplete and inaccurate information. The first occurrence of data integrity that was noted to the Company was not providing the vehicle information on the spreadsheet. The second occurrence was incorrect vehicle age and year information. The third occurrence was inaccurate good driver factors. The Company was asked to verify the accuracy of the information on the spreadsheet after each discovery of an error. Each time the Company verified and confirmed the accuracy. After the third occurrence, the Company determined a revised spreadsheet would need to be provided due to the inaccuracy of the first spreadsheet.

Situation 3: The Company provided a new "verified and confirmed to be correct" spreadsheet on June 17, 2014.

Finding 3: On June 20, 2014, it was noted that the good driver rating information for a policy may not be correct on the revised

spreadsheet. The Company confirmed the inaccuracy of the good driver factor on the revised spreadsheet on June 30, 2014.

The following finding was made:

General Violation *40 P.S. §323.4(b)*

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 of 1921.

XIII. MCAS REPORTING

In Pennsylvania, insurers are required annually to submit a Market Conduct Annual Statement (MCAS) to the National Association of Insurance Commissioners (NAIC). The review of MCAS data was conducted pursuant to the authority granted by Section 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the Market Conduct Annual Statement (MCAS) reporting for 2012.

The examination team reviewed the Company's 2012 MCAS Submissions. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the private passenger automobile sections that were reviewed.

A.	Number of autos which have policies in-force at the end of the period.
B.	Number of Policies in-force at the end of the period.
C.	Number of new business policies written during the period.
D.	Number of Company-Initiated nonrenewals during the period.
E.	Number of cancellations for non-pay, non-sufficient funds or insured's request.
F.	Number of Company-Initiated cancellations that occur in the first 59 days after effective date, excluding rewrites to an affiliated Company.
G.	Number of Company-Initiated cancellations that occur 60 or more days after effective date, excluding rewrites to an affiliated Company.
H.	Number of Complaints received directly from the consumer.
I.	Number of Claims open at the beginning of the Period
J.	Number of Claims opened during the period.

K.	Number of Claims closed during the period, with payment.
L.	Number of Claims closed during the period, without payment.
M.	Number of Claims remaining open at the end of the period.
N.	Number of Claims closed with payment within 0-60 days.
O.	Number of Claims closed with payment >60 days.
P.	Number of Suits open at beginning of the period.
Q.	Number of Suits opened during the period.
R.	Number of Suits closed during the period.
S.	Number of Suits open at end of period.

The review consisted of three phases, as noted below.

Phase 1

The Company was asked to provide the claims and policy data listings that support the 2011 and 2012 MCAS filing. Each list contained the claim and policy numbers for each category. The 2012 data submitted was validated to ensure the information was accurate and consistent with the information provided to the NAIC.

The following finding was made:

1 Violation *40 P.S. §323.4(b)*

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

the requirement of submitting complaints that the Company directly received from the consumers.

Phase 2

The Company was asked to provide a record of all claims and policy data listings which supported the 2011 and 2012 MCAS filings. From each universe list of 2012 data, a random sample of five (5) claims or policy files was requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations.

The following findings were made:

6 Violations 40 P.S. §323.4(b)

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 violations resulted in the failure to exercise sufficient due diligence to ensure the requirement of submitting accurate data in the appropriate categories.

Phase 3

A review was performed on various policies and claims provided in the Market Conduct portion of the exam to ensure the MCAS data was inclusive of all the policies applicable to each line item. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

XIV. RECOMMENDATIONS

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

1. The Company must review and revise internal control procedures to ensure compliance with nonrenewal and cancellation notices requirements of 40 P.S. §§991.2002, 991.2006 and 991.2008, so that the violations noted in the Report do not occur in the future.

2. The Company must review 75 Pa. C.S. §1791.1(b) to ensure that the notice of tort options is given to the insured at the time of application as noted in the Report.

3. The Company must review 75 Pa. C.S. §1793(b) to ensure that violations regarding the requirement to provide the insured with a surcharge disclosure plan at the time of application and at least once annually, as noted in the Report.

4. The Company must review 18 Pa. C.S. §6310.4(d) violations to ensure that a policy is not surcharged for violations under this section as noted in the Report.

5. The Company must review 40 P.S. §1184 and 75 Pa. C.S. §1799.2(a), and take appropriate measures to ensure the rating violations regarding driver improvement course discounts listed in the report do not occur in the future.

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

7. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code §146.6, so that the violations relating to providing status letters as noted in the Report do not occur in the future.

8. The Company must review 75 Pa. C.S. §1786(e)(3) to ensure proper notification to the Department of Transportation when a policy has been cancelled or terminated by the insured or insurer.

9. The Company must review 31 Pa. Code §69.21 with its claim staff to ensure that provider bills are repriced for cost containment as required.

10. The Company must review 75 Pa. C.S. §1161(a)&(b) with its claim staff to ensure that Pennsylvania salvage certificates are obtained and are retained with the claim file.

11. The Company must review 75 Pa. C.S. §1797(b)(1) and 31 Pa. Code §69.53(a) with its claim staff to ensure that a written contract is in place with an approved peer review organization established for the purpose of evaluating treatment, health care services, products or accommodations provided to any injured person. Such evaluation shall be for the purpose of confirming that such treatment, products, services or accommodations conform to the professional standards of performance and are medically necessary.

12. The Company must review 31 Pa. Code §69.52(a) with its claim staff to ensure that a provider is notified, in writing, when bills are referred for a PRO review at the time of the referral.

13. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.4, so that violations noted in the Report do not occur in the future.

XV. COMPANY RESPONSE

GEICO
geico.com

■ Government Employees Insurance Company
■ GEICO General Insurance Company
■ GEICO Indemnity Company
■ GEICO Casualty Company

One GEICO Plaza ■ Washington, DC 20076-0001

November 24, 2014

Constance Arnold
Property & Casualty Division Chief
Commonwealth of Pennsylvania
Insurance Department
Strawberry Square
Harrisburg, Pennsylvania 17120

BY FIRST CLASS MAIL & E-MAIL

Dear Ms. Arnold,

This letter will constitute the response of the GEICO Casualty Company ("GEICO") to the Pennsylvania Insurance Department's Report of Examination dated November 5, 2014 ("the Report").

GEICO appreciates the value of the market conduct examination process in identifying mistakes and in illuminating differences in interpretation between insurers and the Department regarding applicable statutes and regulations.

The Department's findings generally demonstrate GEICO's commitment to quality underwriting and claims handling, as well as a commitment to compliance.

Even before issuance of the Report, GEICO had begun implementing corrective action regarding those issues that were not isolated errors. As to individual errors, GEICO has reviewed the applicable requirements with operations personnel in an effort to minimize or eliminate recurrence of these errors.

GEICO would like to express its concerns with the portion of the Report identified as "Data Integrity" (Section XII, p. 36-39). Gathering responsive materials and data for a Market Conduct Exam is a cooperative and dynamic process. It requires a considerable diversion of resources and unique data pulls on the part of the insurer. Some level of error is unavoidable. In addition, despite efforts at clarification, some initial confusion regarding exactly what is being requested is to be expected. GEICO believes that its responses were well within reason and reflect good faith and a high level of diligence on the company's part.

The authority cited for this alleged violation is 40 P.S. §323.4(b), which provides:

> Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely, convenient and free access at all reasonable hours at its offices 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 officers, directors, employes and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company by its officers, directors, employes or agents to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the department's jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to 2 Pa.C.S. (relating to administrative law and procedure).

There can be no doubt that GEICO and its personnel provided the Department with full access to its materials, facilitated the examination and complied with every request. We believe the alleged violation is inappropriate.

GEICO recognizes the important role Market Conduct Examinations play in protecting insurance consumers, and appreciates this opportunity to respond to the Department's Report.

Sincerely,

John A. Taylor,
Senior Counsel