COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT

MARKET CONDUCT
EXAMINATION REPORT

OF

PERMANENT GENERAL INSURANCE COMPANY
VALLEY VIEW, OH

As of: February 10, 2014
Issued: April 4, 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 6th Day of February, 2014

Notary Public

PERMANENT GENERAL ASSURANCE CORPORATION

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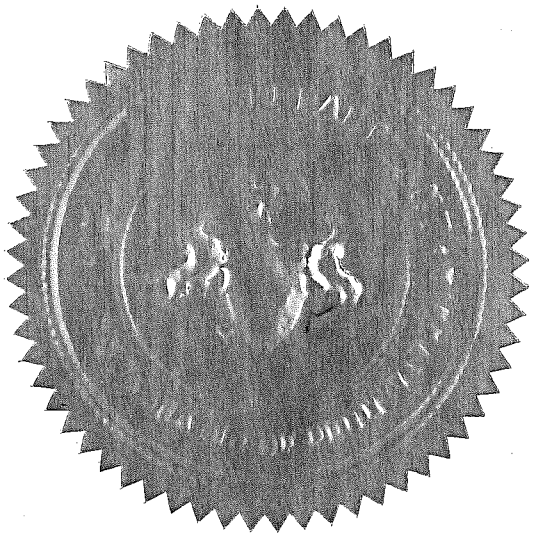
BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

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:
	:	
PERMANENT GENERAL ASSURANCE CORPORATION 2636 Elm Hill Pike Nashville, TN 37214	:	Section 904(b) of the Insurance Department Act, Act of May 17, 1921, P.L. 789, No. 285 (40 P.S. §323.4)
	:	Sections 2001, 2002(c)(3), 2004, 2006, 2006(2), 2006(3), and 2008(b) of Act 68 of 1998 (40 P.S. §§2001, 2002, 2004, 2006 and 2008)
	:	Section 4 of the Unfair Insurance Practices Act, Act of July 22, 1974, P.L. 589, No. 205 (40 P.S. §§1171.4)
	:	Sections 4(a) and (h) of the Act of June 11, 1947, P.L. 538, No. 246 (40 P.S. §1184)
	:	Title 31, Pa. Code, Sections 51.21, 51.22, 62.3(e)(7), 69.52(b) 69.53(a), 146.3, 146.5(a), 146.6 and 146.7(a)(1)
	:	Act 1990-6, Title 75 Pennsylvania Consolidated Statutes, Sections 1161(a)&(b), 1702, 1711(a)&(b), 1716, 1791.1(a)&(b), 1793(c), 1797(b)(1) and 1799.3(d) (Title 75 Pa. C.S. 1161, 1702, 1711, 1716, 1791, 1793, 1797 and 1799)
Respondent.	:	Docket No. MC14-02-005

CONSENT ORDER

AND NOW, this 4th day of April, 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 Permanent General Assurance Corporation and maintains its address at 2636 Elm Hill Pike, Nashville, TN 37214.

(b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from July 1, 2011 through June 30, 2012.

(c) On February 10, 2014, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on March 11, 2014.

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

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

(ii) Section 2001 of Act 68 of 1998 (40 P.S. §991.2003), which defines "nonpayment of premium" as failure of the named insured to discharge when due any obligation in connection with the payment of premiums on a policy or any installment of such premium, whether the premium is payable directly to the insurer or its agent or indirectly under any premium finance plan or extension or credit;

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

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

(v) Section 2006 of Act 68 of 1998 (40 P.S. § 991.2006), which 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;

(vi) Section 2006(2) of Act 68 of 1998 (40 P.S. § 991.2006), which 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;

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

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

(ix) Section 4 of Act 205 (40 P.S. § 1171.4), which 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;

(x) Sections 4(a) and 4(h) of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates,

every rating plan and every modification of any rating plan which it proposes to use in this Commonwealth and prohibits an insurer from making or issuing a contract or policy with rates other than those approved;

(xi) Title 31, Pennsylvania Code, Section 51.21, which requires the format and content of an advertisement of an insurance contract shall be sufficiently complete and clear to avoid deception or the capacity or tendency to mislead or deceive. Whether an advertisement has a capacity or tendency to mislead or deceive shall be determined by the Insurance Commissioner from the overall impression that the advertisement may be reasonably expected to create upon a person of average education or intelligence, within the segment of the public to which it is directed. Advertisements shall be truthful and not misleading in fact or in implication;

(xii) Title 31, Pennsylvania Code, Section 51.22, which states an advertisement may not be used which because of phrases, statements, references or illustrations therein or information omitted there from, has the capacity, tendency or effect of misleading or deceiving purchasers or prospective purchasers as to the nature or extent of any contract benefit payable, loss covered or premium payable. These standards apply notwithstanding the fact that the contract offered is made available to a prospective insured for inspection prior to the consummation of the sale, or that an offer is made to refund the premium if the purchaser is not satisfied;

(xiii) Title 31, Pennsylvania Code, Section 62.3(e)(7), which states the appraiser is responsible for ensuring that a copy of the total loss evaluation report be sent within 5 working days to the consumer by the appraiser after the appraisal is completed. If a settlement offer is extended before the consumer receives the total loss evaluation report, the consumer shall be advised of the total loss evaluation report's contents and of the consumer's right to be sent a copy within 5 days after its completion;

(xiv) Title 31, Pennsylvania Code, Section 69.52(b), which requires an insurer to pay medical bills for care that are not referred to a Peer Review Organization within 30 days after the insurer receives sufficient documentation supporting the bill;

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

(xvi) Title 31, Pennsylvania Code, Section 146.3, which 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;

(xvii) Title 31, Pennsylvania Code, Section 146.5(a), which 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;

(xviii) Title 31, Pennsylvania Code, Section 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;

(xix) Title 31, Pennsylvania Code, Section 146.7(a)(1), which 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;

(xx) Title 75, Pa. C.S. 1161(a)&(b), which 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.

(xxi) Title 75, Pa. C.S. 1702 – Definitions. The following words and phrases when used in this chapter shall have the meanings given to them in this section unless the context clearly indicates otherwise: "Financial responsibility." The ability to respond in damages for liability on account of accidents arising out of the maintenance or use of a motor vehicle in the amount of $15,000 because of injury to one person in any one accident, in the amount of $30,000 because of injury to two or more persons in any one accident and in the amount of $5,000 because of damage to property of others in any one accident. The financial responsibility shall be in a form acceptable to the Department of Transportation;

(xxii) Act 1990-6, Section 9, Title 75, Pa. C.S. 1711(a)&(b) – Required Benefits. (a) Medical benefit – An insurer issuing or delivering liability insurance policies covering any motor vehicle of the type required to be registered under this title, except recreational vehicles not intended for highway use, motorcycles, motor-driven cycles or motorized pedalcycles or like type vehicles, registered and operated in this Commonwealth, shall include coverage providing a medical benefit in the amount of $5,000. (b) Minimum Policy – All insurers subject to this chapter shall make available for purchase a motor

vehicle insurance policy which contains only the minimum requirements of financial responsibility and medical benefits as provided for in this chapter;

(xxiii) Title 75, Pa. C.S. 1716, states that benefits are overdue if not paid within 30 days after the insurer receives reasonable proof of the amount of benefits. If reasonable proof is not supplied as to all benefits, the portion supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer. Overdue benefits shall bear interest at the rate of 12% per annum from the date the benefits become due. In the event the insurer is found to have acted in an unreasonable manner in refusing to pay the benefits when due, the insurer shall pay, in addition to the benefits owed and the interest thereon, a reasonable attorney fee based upon actual time expended;

(xxiv) Act 1990-6, Section 17, Title 75 Pa. C.S. § 1791.1(a), which requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law

are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured's existing coverages;

(xxv) Act 1990-6, Section 17, Title 75, Pa. C.S. § 1791.1(b), which requires an insurer to provide an insured with a notice of the availability of two alternatives of full tort insurance and limited tort insurance;

(xxvi) Title 75, Pa .C.S. §1793(c) states when an insurer cancels a motor vehicle insurance policy within the first 60 days of new business, the insurer shall within 30 days of canceling the policy return to the insured all premiums paid under the policy less any proration for the period the policy was in effect. Premiums are overdue if not paid to the insured within 30 days after canceling the policy. Overdue return premiums shall bear interest at the rate of 12% per annum from the date the return premium became due;

(xxvii) Act 1990-6, Section 18, Title 75, Pa. C.S. § 1797(b)(1), which 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;

(xxviii) Act 1990-6, Section 19, Title 75, Pa. C.S. § 1799.3(d), which requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the named insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect;

CONCLUSIONS OF LAW

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

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

(b) Respondent's violations of Sections 2001, 2002(c)(3), 2004, 2006, 2006(2), 2006(3) and 2008(b) of Act 68 of 1998 are punishable by the following, under Section 2013 of the Act (40 P.S. §991.2013): Any individual or insurer who violates any of the provisions of this article may be sentenced to pay a fine not to exceed five thousand dollars ($5,000.00).

(c) Respondent's violations of Section 4 of the Unfair Insurance Practices Act, No. 205 (40 P.S. §§ 1171.4 and 1171.5) are punishable by the following, under Section 9 of the Unfair Insurance Practices Act (40 P.S. §1171.9):

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

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

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

(i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars ($5,000.00);

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

(e) Respondent's violations of Sections 4(a) and (h) of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184) are punishable under

Section 16 of the Casualty and Surety Rate Regulatory Act:

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

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

(f) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.3, 146.5, 146.6 and 146.7 are punishable 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.

(g) The Commissioner may, under Sections 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:

(i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars ($5,000.00);

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

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 Fifty Thousand Dollars ($50,000.00) in settlement of all violations contained in the Report.

(c) Payment of this matter shall be made by check payable to the Pennsylvania Insurance Department. Payment should be directed to Cherie L. Leese, Administrative Officer, 1311 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: PERMANENT GENERAL ASSURANCE CORPORATION,
Respondent

President / Vice President

Secretary / Treasurer

ARTHUR F. MCNULTY
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Examination was conducted at the office of Permanent General Assurance Corporation (Company) located in Nashville, Tennessee, from July 14, 2013 through July 25, 2013. Subsequent review and follow-up was conducted at an off-site location.

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

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

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

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

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

Constance L. Arnold, MCM
Market Conduct Division Chief

June A. Coleman, MCM
Market Conduct Examiner
INS Regulatory Insurance Services

James R. Myers, MCM
Market Conduct Examiner
INS Regulatory Insurance Services

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Permanent General Assurance Corporation at their office located in Nashville, Tennessee. The examination was conducted pursuant to Sections 903 and 904 [40 P.S. §§323.3 and 323.4] of the Insurance Department Act and covered the experience period of July 1, 2011 through June 30, 2012, 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

III. COMPANY HISTORY

Permanent General Assurance Corporation (PGAC), was incorporated on August 25, 1983 as a property and casualty company insuring non-standard automobile risks in Tennessee. On June 30, 1989, Ingram Industries Inc. (Ingram) purchased PGAC and its parent, PGC.

In 1994, Nordic Union Reinsurance Corporation ("Nordic") was acquired by PGC from Constitution Re. Prior to the acquisition, Nordic, previously a Delaware domestic company was redomesticated in the state of Tennessee. PGAC was then merged with and into Nordic with Nordic the surviving corporation. Nordic's name was then changed to PGAC. Prior to the acquisition, all of Nordic's previously written business was retrocede to Nordic's former parent. Through the acquisition of Nordic, PGAC obtained licenses to issue policies in 28 states.

In April 1997, PGC purchased substantially all of the tangible net assets related to the personal lines automobile business of the Phoenix Insurance Group, Inc. ("Phoenix"). A-1 General Insurance Agency, Inc. and the General Automobile Insurance Services, Inc. were incorporated in conjunction with the asset purchase and are wholly owned. With this acquisition the Company obtained The General brand name.

In November 1998 and April 1999, PGC acquired substantially all of the assets of two insurance agencies in Louisiana. The General Automobile Insurance Services of Louisiana, Inc. was incorporated in conjunction with these asset purchases and is wholly owned by PGC.

During 2004 the Company's then parent, Ingram Industries, entered into an agreement to sell the stock of the Company to Capital Z Financial Services Fund II. The closing of the sale took place on December 2, 2004.

On September 24, 2012 Capital Z Financial Services Fund II, L.P. and Capital Z Financial Services Private Fund II, L.P. entered into a Stock Purchase Agreement among Amfam, Inc., Oakhaven Partners, Ltd., William Ballard, Eric Bur, Barry Dice, Brian M. Donovan, Kenton L. Fourman, Allison R. Garretson, William H. Graves, Todd R. Hakala, Richard M. Haverland, Thomas A. Hayes, David L. Hettinger, John Hollar, Charles W. Kirkland, Jr., Eileen Manners, Andrew P. Martin, Randy P. Parker, Eric Rahe, Elizabeth A. Roberts, and Joseph Yeager for the purchase of the common stock of PGC Holdings Corp. The acquisition closed on December 31, 2012.

LICENSING

Permanent General Assurance Corporation's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2013. The Company is licensed in Alabama, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Massachusetts, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin. The Company's 2012 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as $19,736,908. Premium volume related to the Private Passenger Automobile Direct Written Premium was reported as Other Private Passenger

Auto Liability $15,913,349 and Private Passenger Auto Physical Damage $3,823,559.

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 21,069 private passenger automobile policies that were cancelled within the first 60 days of new business during the experience period, 140 files were selected for review. All 140 files requested were received and reviewed. The 48 violations noted were based on 45 files, resulting in an error ratio of 32%.

The following findings were made:

17 Violations *Act 68, Section 2002(c)(3) [40 P.S. §991.2002(c)(3)]*
Adjudications: Tampa v. State Farm (P91-06-01, 1991)
Gorba v. Allstate (P92-02-92, 1993)
Requires that an insurer supply the insured with a written statement of the reason for cancellation. The 17 files noted

were policies cancelled within the first 60 days of new business inception date and did not contain evidence of the required 15 days' notice.

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

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The eight (8) files noted were a result of the Company not providing a specific reason for the cancellation.

8 Violations Insurance Department Act, Section 904(b) [40 P.S. §323.4]

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. There was no documentation of the mailing date to determine compliance for the eight (8) files noted.

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

Adjudication: Nguyen/Old Guard (P01-01-019, 2001)

Requires that an insurer supply the insured with a written statement of the reason for cancellation. The 13 files noted were policies cancelled within the first 60 days of new

business inception date and were sent a nonpayment cancellation notice when premium was not yet due.

2 Violations *Title 75, Pa. C.S. §1793(c)(3)*

Requires an insurer within 30 days of canceling the policy return to the insured all premiums paid under the policy less any proration for the period the policy was in effect. Premiums are overdue if not paid to the insured within 30 days after canceling the policy. Overdue return premiums shall bear interest at the rate of 12% per annum from the date the return premium became due. The Company did not provide the return premium within 30 days after cancellation and did not pay interest on the overdue return premium in the two (2) files noted. The amount of the interest on the overdue return premium was $0.11.

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 27,014 private passenger automobile policies which were cancelled midterm during the experience period, 100 files were selected for review. All 100 files requested were received and reviewed.

Of the 100 files reviewed, 38 files were identified as 60-day cancellations and 62 files were identified as midterm cancellations. The 68 violations noted were based on 68 files, resulting in an error ratio of 68%.

The following findings were made:

4 Violations *Act 68, Section 2002(c)(3) [40 P.S. §991.2002(c)(3)]*
Adjudications: Tampa v. State Farm (P91-06-01, 1991)
Gorba v. Allstate (P92-02-92, 1993)
Requires that an insurer supply the insured with a written statement of the reason for cancellation. The four (4) files noted were policies cancelled within the first 60 days of new business inception date and did not contain evidence of the required 15 days' notice.

22 Violations *Act 68, Section 2002(c)(3) [40 P.S. §991.2002(c)(3)]*
Adjudication: Nguyen/Old Guard (P01-01-019, 2001)
Requires that an insurer supply the insured with a written statement of the reason for cancellation. The 22 files noted were policies cancelled within the first 60 days of new business inception date and were sent a nonpayment cancellation notice when premium was not yet due.

16 Violations *Act 68, Section 2004 [40 P.S. §991.2004]*
Act 68, Section 2001 [40 P.S. §991.2001]
Adjudication: Nguyen/Old Guard (P01-01-019, 2001)
Requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has

concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer. The 16 files noted resulted in the Company sending a nonpayment cancellation notice when premium was not yet due.

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

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. The 26 files noted resulted in cancellation notices that did not provide the required number of days' notice from the date of mailing.

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.

The universe of 10 private passenger automobile policies which were nonrenewed during the experience period was selected for review. All 10 files requested were received and reviewed. Of the 10 nonrenewal files received, 8 files were identified as refusals to renew, one (1) file was identified as a 60-day cancellation and one (1) file was identified as a midterm cancellation. The 18 violations noted were based on 10 files, resulting in an error ratio of 100%.

The following findings were made:

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

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. The seven (7) files noted resulted in cancellation notices that did not provide the required 60 days' notice from the date of mailing.

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

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the specific reason or reasons of the insurer for the cancellation. The eight (8) files noted resulted in cancellation notices being issued without a specific reason for the cancellation.

1 Violation *Act 68, Section 2002(c)(3) [40 P.S. §991.2002(c)(3)]*
Adjudications: Tampa v. State Farm (P91-06-01, 1991)
Gorba v. Allstate (P92-02-92, 1993)
Requires that an insurer supply the insured with a written statement of the reason for cancellation. The file noted was a policy cancelled within the first 60 days of new business inception date and did not contain evidence of the required 15 days' notice.

1 Violation *Act 68, Section 2008(b) [40 P.S. §991.2008(b)]*
Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The file noted was a result of the Company not providing a specific reason for the cancellation.

1 Violation *Act 68, Section 2004 [40 P.S. §991.2004]*
Act 68, Section 2006(3) [40 P.S. §991.2006(3)]
Requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation

was material to the acceptance of the risk by the insurer. The file noted resulted in the Company cancelling the policy without a specific or permitted reason.

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.

The universe of 15 declinations for private passenger automobile insurance was selected for review. All 15 files selected were received and reviewed. In addition, the examiners reviewed the Company's website for compliance of new business and declination processes.

The following finding was made:

General Violation *Act 68, Section 2008(b) [40 P.S. §991.2008(b)]*
Insurance Department Act, Section 904(b) [40 P.S. §323.4]
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 violation noted was a result of the Company not providing a written notice of refusal to write when an applicant was refused via Company internet site. It could not be determined the number applicants who were refused through the internet site.

The following concern was noted.

CONCERN: The Company provided for review a total of 15 declinations. When the files were reviewed, it was noted that 14 files contained a receipt for the down payment of premium on a policy and documentation that the down payment was returned for non-sufficient funds. The policies were issued but the insured's consideration was invalid. Therefore, no contract was in existence. The Company should rescind a policy when the down payment for a bound policy is returned for nonsufficient funds.

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 869 private passenger automobile policies that were identified by the Company as rescissions during the experience period, 30 files were selected for review. An additional 50 files were requested after the review began. All 80 files requested were received and reviewed. Of

the 80 files reviewed, 70 files were identified as rescissions, eight files were identified as midterm cancellations and two files were identified as 60-day cancellations. The 15 violations noted were based eight (8) files, resulting in an error ratio of 10%.

The following findings were made:

2 Violations *Act 68, Section 2004 [40 P.S. §991.2004]*
Act 68, Section 2006(2) [40 P.S. §991.2006(2)]
Adjudications: Dohrmann/Federal Kemper, P94-05-043 (1996); *Geico/Kincaid,* P89-02-08 (1989); *Kachur/USF&G*, P92-03-32 (1993)
Requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer. The two (2) files noted resulted in cancellation notices that did not provide the required 15 days' notice from the date of mailing.

5 Violations *Act 68, Section 2004 [40 P.S. §991.2004]*
Act 68, Section 2006(2) [40 P.S. §991.2006(2)
Requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor

vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer. The five (5) files noted resulted in the Company cancelling the policy without a specific or permitted reason and not providing the required number of days' notice from the date of mailing.

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

Requires that cancellation by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the insured a written notice of the cancellation. The eight (8) files noted did not contain any evidence that a cancellation notice was sent to the insured.

VI. RATING

A. Private Passenger Automobile

1. New Business

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

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

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

Private Passenger Automobile Rating – New Business without Surcharges

From the universe of 21,341 private passenger automobile policies identified as new business without surcharges by the Company, 50 files were selected for review. All 50 policy files requested were received and reviewed. The 42,682 violations noted were based on the universe of 21,341 files, resulting in an error ratio of 100%.

The following findings were made:

21,341 Violations *Title 75, Pa. C.S. §1791.1(a)*

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured's existing coverages. The 21,341 files were the result of the Company not

providing the insured with an itemized invoice at the time of application.

21,341 Violations *Title 75, Pa. C.S. §1791.1(b)*

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The 21,341 files were the result of the Company not providing the notice of tort options to the insured at the time of application.

General Violation *Insurance Department Act, Section 904(b)*

[40 P.S. §323.4]

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. There was no retention of telephone sales to determine compliance for the violation noted.

Private Passenger Automobile Rating – New Business with Surcharges

From the universe of 5,309 private passenger automobile policies identified as new business with surcharges by the Company, 75 files were selected for review. All 75 policy files requested were received and reviewed. The 15,929 violations noted were based on the universe of 5,309 files, resulting in an error ratio of 100%.

The following findings were made:

5,309 Violations *Title 75, Pa. C.S. §1791.1(a)*

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured's existing coverages. The 5,309 files were the result of the Company not providing the insured with an itemized invoice at the time of application.

5,309 Violations *Title 75, Pa. C.S. §1791.1(b)*

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The 5,309 files were the result of the Company not providing the notice of tort options to the insured at the time of application.

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

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. There was no retention of telephone sales to determine compliance for the violation noted.

5,309 Violations *Title 75, Pa. C.S. §1799.3(d)*

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The 5,309 files noted were the result of the Company not providing the required surcharge disclosure statement on the premium notice.

2 Violations *Act 205, Section 4 [40 P.S. §1171. 4]*
Title 31, Pa. Code, Section 51.21
Title 31, Pa. Code, Section 51.22

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Prohibited. 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. The two (2) violations were the result of the Company failing to inform the consumers/applicants during telephone calls that Pennsylvania's required minimum limit for property damage liability is $5,000 and that Pennsylvania does not require funeral benefit coverage.

2. Renewals

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

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

The Company uses an automated system to process and issue personal automobile policies. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory

assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

Private Passenger Automobile Rating – Renewals without Surcharges

From the universe of 7,783 personal automobile policies identified as renewals without surcharges, 25 files were selected for review. All 25 policy files requested were received and reviewed. The 15,566 violations noted were based on the universe of 7,783 files, resulting in an error ratio of 100%.

The following findings were made:

7,783 Violations *Title 75, Pa. C.S. §1791.1(a)*

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

of coverage limits and premiums for the insured's existing coverages. The 7,783 files were the result of the Company not providing the insured with an itemized invoice at renewal.

7,783 Violations *Title 75, Pa. C.S. §1791.1(b)*

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The 7,783 files were the result of the Company not providing the notice of tort options to the insured at renewal.

Private Passenger Automobile Rating – Renewals with Surcharges

From the universe of 1,019 private passenger automobile policies identified as renewals with surcharges, 50 files were selected for review. All 50 policy files requested were received and reviewed. The 3,058 violations noted were based on the universe of 1,019 files, resulting in an error ratio of 100%.

The following findings were made:

1,019 Violations *Title 75, Pa. C.S. §1791.1(a)*

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

in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured's existing coverages. The 1,019 files were the result of the Company not providing the insured with an itemized invoice at renewal.

1,019 Violations *Title 75, Pa. C.S. §1791.1(b)*

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The 1,019 files were the result of the Company not providing the notice of tort options to the insured at renewal.

1,019 Violations *Title 75, Pa. C.S. §1799.3(d)*

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The 1,019 files noted were the result

of the Company not providing the required surcharge disclosure statement on the premium notice.

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

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. The one (1) violation was the result of the policy being rated under the wrong rate book code resulting in an overcharge of $3.00. The insured was refunded the amount of the overcharge.

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 Unverified Physical Damage Claims
F. Automobile First Party Medical Claims
G. Automobile First Party Medical Claims Referred to a PRO

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

A. Automobile Property Damage Claims

From the universe of 2,481 private passenger automobile property damage liability claims reported during the experience period, 100 files were selected for review. All 100 files selected were received and reviewed. The nine (9) violations noted were based on six (6) files, resulting in an error ratio of 6%.

The following findings were made:

1 Violation *Title 31, Pa. Code, Section 146.3*

The claim files of an insurer shall be subject to examination by the Commissioner or by duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. The Company did not maintain a copy of the 10 day acknowledgement letter in the noted claim file.

4 Violations *Title 31, Pa. Code, Section 146.5(a)*

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 of time. If an acknowledgment 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. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company did not acknowledge the claim within 10 working days for the four (4) files noted.

4 Violations *Title 31, Pa. Code, Section 146.6*

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

expected. The Company did not provide timely status letters for the four (4) files noted.

B. Automobile Comprehensive Claims

From the universe of 276 private passenger automobile comprehensive claims reported during the experience period, 30 files were selected for review. All 30 files selected were received and reviewed. No violations were noted.

C. Automobile Collision Claims

From the universe of 552 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 finding was made:

2 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the two (2) files noted.

D. Automobile Total Loss Claims

From the universe of 438 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 62 violations noted were based on 44 files, resulting in an error ratio of 88%.

The following findings were made:

4 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the four (4) files noted.

43 Violations Title 31, Pa. Code, Section 62.3(e)(7)

The appraiser is responsible for ensuring that a copy of the total loss evaluation report be sent within 5 working days to the consumer by the appraiser after the appraisal is completed. If a settlement offer is extended before the consumer receives the total loss evaluation report, the consumer shall be advised of the total loss evaluation report's contents and of the consumer's right to be sent a copy within 5 days after its completion. No indication in the 43 files noted that the total loss evaluation was given to the claimant within 5 days after its completion.

15 Violations Title 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 or an authorized agent of 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 under this subsection. Of the 15 files noted, one file did not contain a copy of the salvage title. The Company failed to have the claimant produce evidence that the salvage certificate had been issued prior to payment of the claim for the remaining 14 claim files.

E. Automobile Unverified Physical Damage Claims

From the universe of 1,463 private passenger automobile unverified physical damage claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The Company identified unverified physical damage claims as those claims that are considered unverified when the reported date of loss falls outside of the policy period. The claim is not attached to a verified policy so it is considered unverified. Of the 50 files review, 19 files were identified as

actual unverified policy claims. The remaining 31 files were claims involved verified policies but closed without payment due to a lack of having the proper policy coverage. No violations were noted.

F. Automobile First Party Medical Claims

From the universe of 934 private passenger automobile first party medical claims reported during the experience period, 75 claim files were selected for review. All 75 files requested were received and reviewed. The 17 violations noted were based on 11 files, resulting in an error ratio of 15%.

The following findings were made:

10 Violations *Title 31, Pa. Code, Section 69.52(b)*

Requires an insurer to pay bills for care that are not referred to a Peer Review Organization within 30 days after the insurer receives sufficient documentation supporting the bill. The Company failed to pay medical bills within 30 days for the 10 claims noted.

2 Violations *Title 31, Pa. Code, Section 146.6*

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the two (2) files noted.

1 Violation *Title 31, Pa. Code, Section 146.7(a)(1)*

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. The file noted resulted from failure to accept or deny the claim within 15 working days after proof of loss was received.

4 Violations *Title 75, Pa. C.S. §1716*

Benefits are overdue if not paid within 30 days after the insurer receives reasonable proof of the amount of benefits. If reasonable proof is not supplied as to all benefits, the portion supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer. Overdue benefits shall bear interest at the rate of 12% per annum from the date the benefits become due. In the event the insurer is found to have acted in an unreasonable manner in refusing to pay the benefits when due, the insurer shall pay, in addition to the benefits owed and the interest thereon, a reasonable attorney fee based upon actual time expended. The Company did not pay interest on four (4) claims that were not paid within 30 days. The amount of the interest for the claims was $328. 36.

G. Automobile First Party Medical Claims Referred to a PRO

Although the Company did not report any automobile first party medical claims referred to a peer review organization, the Company was asked to provide copies of all written contracts it has in place with a peer review

organization. The Company advised they did not have any written contracts with a peer review organization.

The following finding was made:

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

Title 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 an approved Peer Review Organization.

VIII. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with Insurance Company Law, Section 354 [40 P.S. §477b], Approval of Policies, Contracts, etc., Prohibiting the Use Thereof Unless Approved. During the experience period of the examination, Section 354 provided that it shall be unlawful for any insurance company to issue, sell, or dispose of any policy contract or certificate covering fire, marine, title and all forms of casualty insurance or use applications, riders, or endorsements in connection therewith, until the forms have been submitted to and formally approved by the Insurance Commissioner. All underwriting files were also reviewed to verify compliance with Act 165 of 1994 [18, Pa. C.S. §4117(k)(1)] and Title 75, Pa. C.S. §1822 which require all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage.

The following finding was made:

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

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The two (2) files noted were a result of the Company not providing the right of review on the declination letter or internet webpage.

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 14 pieces of advertising which included television media and a Yellow Page advertisement.

The purpose of this review was to determine compliance with Act 205, Section 5 [40 P.S. §1171.5], which defines unfair methods of competition and unfair or deceptive acts or practices in the business of insurance, as well as Title 31, Pennsylvania Code, Section 51.2(c) and Section 51.61.

The following finding was made:

1 Violation *Title 75, Pa. C.S. §1702*
Title 75, Pa. C.S. §1711(a)&(b)
Act 205, Section 4 [40 P.S. §1171. 4]
Title 31, Pa. Code, Section 51.21
Title 31, Pa. Code, Section 51.22
Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Prohibited. 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. An insurer issuing or delivering liability insurance policies covering any motor vehicle of the type required to be registered under this title shall include coverage providing a medical benefit in the amount of $5,000. All insurers subject to this chapter shall make available for purchase a motor

vehicle insurance policy which contains only the minimum requirements of financial responsibility and medical benefits as provided for in this chapter. The violation noted was the result of the Company failing to inform consumers on its website that Pennsylvania's required minimum limit for medical benefits is $5,000. The Company's state specific page for Pennsylvania informs the reader that the mandatory minimum levels of coverage are $15,000/$30,000 for bodily injury and $5,000 for property damage. The Company does not address medical benefits coverage on its webpage.

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 also identified 51 consumer complaints received during the experience period and provided all consumer complaint logs requested. The universe of 51 complaints was selected for review. All 51 files requested were received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5(a)(11) of the Act requires a Company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. The individual complaint files were reviewed for the relevancy to applicable statues and to verify compliance with Title 31, PA. Code, Section 146.5(b)(c).

The following findings were made:

4 Violations *Act 68, Section 2002(c)(3) [40 P.S. §991.2002(c)(3)]*
Adjudications: Tampa v. State Farm (P91-06-01, 1991)
Gorba v. Allstate (P92-02-92, 1993)
Requires that an insurer supply the insured with a written statement of the reason for cancellation. The four (4) files noted were policies cancelled within the first 60 days of new business inception date and did not contain evidence of the required 15 days' notice.

7 Violations *Act 68, Section 2002(c)(3) [40 P.S. §991.2002(c)(3)]*
Adjudication: Nguyen/Old Guard (P01-01-019, 2001)
Requires that an insurer supply the insured with a written statement of the reason for cancellation. The seven (7) files noted were policies cancelled within the first 60 days of new business inception date and were sent a nonpayment cancellation notice when premium was not yet due.

11 Violations *Act 68, Section 2004 [40 P.S. §991.2004]*
Act 68, Section 2001 [40 P.S. §991.2001]
Adjudication: Nguyen/Old Guard (P01-01-019, 2001)
Requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer. The 11 files noted resulted in the Company sending a nonpayment cancellation notice when premium was not yet due.

2 Violations *Act 68, Section 2006(2) [40 P.S. §991.2006(2)]*
Requires an insurer to deliver or mail to the named insured a cancellation notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date

may be fifteen (15) days from the date of mailing or delivery. The two (2) files noted resulted in cancellation notices that did not provide the required days' notice from the date of mailing.

1 Violation *Title 31, Pa. Code, Section 146.6*

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the file noted.

The following concern was noted:

CONCERN: In one (1) file of the 51 complaint files reviewed, the Company received an inquiry or a complaint from the Department. It was found that in the file that the Company did not respond to the Department within 15 working days. The Company should respond to the Department within 15 working days.

The following synopsis reflects the nature of the 51 complaints that were reviewed.

• 31	Cancellation/Nonrenewal	61%
• 15	Claims Handling/Coverage	29%
• 4	Fees	8%
• 1	Miscellaneous	2%
51		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) [40 P.S. §310.41(a) and Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, the Company was requested to furnish a list of all active producers during the experience period and a listing of all producers terminated during the experience period. Underwriting files were checked to verify proper licensing and appointment. No violations were noted.

XII. 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, Section 904(b) [40 P.S. §904(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.

Declinations

Situation: The Company was asked to provide a list of all refusals to write, whether declined by the Company or by its agents, during the experience period. The Company provided a universe list of 15 declinations.

Finding: As the examiners reviewed the new business internet process, it was noted that the Company refused to write during the online process. The consumers who were refused to write online were not included in the universe of declinations that was provided to the Department. If it is the company's intent and actual practice to offer a quotation to those who meet its underwriting requirements and not to offer a quotation to those who do not appear to meet the company's underwriting requirements, the Company shall consider such refusal to render a quote as a refusal to write.

Midterm Cancellations

Situation: As the examiners reviewed the midterm cancellation files of the underwriting section of the exam, it was noted that not all the 100 files selected for review were midterm cancellation files. The Company did not use the reinstatement date of those policies that were reinstated with a lapse. When a policy lapses and is reinstated with a lapse, the new annual anniversary date of the policy is the reinstatement date.

Finding: Of the 100 midterm cancellation files reviewed, 38 files were identified as 60-day cancellations and 62 files were identified as midterm cancellations.

Non-renewals

Situation: As the examiners reviewed the nonrenewal files of the underwriting section of the exam, it was noted that not all the 10 files selected for review were nonrenewal files. The Company did not use the reinstatement date of those policies that were reinstated with a lapse. When a policy lapses and is reinstated with a lapse, the annual anniversary date of the policy is the reinstatement date.

Finding: Of the 10 nonrenewal files received, 8 files were identified as refusals to renew, one file was identified as a 60-day cancellation and one file was identified as a midterm cancellation.

The following finding was made:

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

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings

relating to the property, assets, business and affairs of the company being examined. The violation resulted in the failure to exercise sufficient due diligence to ensure compliance with Insurance Department Act.

XIII. 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, cancellation, rescission and refusal to write notice requirements of Act 68, Sections 2001, 2002, 2004, 2006 and 2008 [40 P.S. §§991.2001, 2002, 2004, 2006 and 2008], so that the violations noted in the Report do not occur in the future.

2. The Company must review Title 75, Pa. C.S. §1793(c) violation to ensure that return premium is provided within 30 days and pay interest on overdue return premium as noted in the Report.

3. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with Insurance Department Act, Section 904(b) [40 P.S. §323.4], so that violations noted in the Report do not occur in the future.

4. The Company must review Title 75, Pa. C.S. §1791.1(a) violations to ensure that the itemized invoice is given to the insured at the time of application and every renewal thereafter as noted in the Report.

5. The Company must review Title 75, Pa. C.S. §1791.1(b) violations to ensure that the notice of tort options is given to the insured at the time of application and every renewal thereafter as noted in the Report.

6. When a surcharge is imposed on a private passenger automobile policy, the Company must identify the amount of surcharge and give notice to the insured. This procedure must be implemented within 30 days of the Report issue date. This is to ensure that violations noted under Title 75, Pa. C.S. §1799.3(d) do not occur in the future.

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

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

9. The Company must review practices and procedures that do not comply with the availability of limits and coverage requirements of Act 205, Section 4 [40 P.S. §1171.4], Title 75, Pa. C.S. §§1702 and 1711 and Title 31, Pa. C.S. §§51.21 and 51.22 so that the violations noted in the Report do not occur in the future.

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

11. The Company must review Title 31, Pa. Code, Section 69.52(b) with its claim staff to ensure that first party medical bills are paid within 30 days.

12. The Company must review the first party medical claims, which have not been paid within 30 days. Those claims that have not been paid within 30 days shall bear interest at the rate of 12% per annum from the date the benefits become due as required by Title 75, Pa. C.S. §1716. The interest amount must be paid to the claimant and proof of such payment must be provided to the Insurance Department within 30 days of the Report issue date.

13. The Company must review Title 31, Pa. Code, Section 62.3(e)(7) with its claim staff to ensure that the consumer receives the total loss evaluation report within 5 working days after the appraisal is completed.

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

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

XIV. COMPANY RESPONSE

March 6, 2014

Pennsylvania Insurance Department
Market Conduct Division
ATTN: Constance Arnold
Property & Casualty Division Chief
1227 Strawberry Square
Harrisburg, PA 17120

Re: Examination Warrant Number: 12-M19-037

Dear Ms. Arnold:

In response to your letter dated February 10, 2014 regarding Permanent General Assurance Corporation's Report of Examination covering the period July 1, 2011 through June 30, 2012, we have attached our written submissions to your recommendations (Section XIII).

It is our desire to offer our insureds a competitive product that is fully compliant with the statutes and laws of the state of Pennsylvania. As issues have been identified throughout the market conduct exam, we have worked to make the necessary process changes. Although some changes are still in the process of being implemented, most are already live.

If you have any questions or concerns, please feel free to contact me via email dhettinger@thegeneral.com or via telephone at 615-744-1277.

Sincerely,

David Hettinger
Senior Vice President and Chief Administrative Officer

1. The Company must review and revise internal control procedures to ensure compliance with nonrenewal, cancellation, rescission and refusal to write notice requirements of Act 68, Sections 2011, 2002, 2004, 2006 and 2008, so that the violations noted in the Report do not occur in the future.

   The Company has reviewed internal controls to ensure compliance with nonrenewal, cancellation, rescission and refusal to write notice requirements of Act 68. Systematic controls will ensure compliance with cancellation and nonrenewal days' notice. Cancellation (insured request) and rescission verbiage on all forms have been updated. Refusal to write notice requirements are underway, significant programming is necessary for full compliance and an anticipate implementation by the end of 2nd Quarter 2014. All other process changes are fully implemented.

2. The Company must review Title 75, Pa. C.S, §1793(c) violation to ensure that return premium is provided within 30 days and pay interest on overdue return premium as noted in the Report.

   The Company has reviewed Title 75 and implemented process changes as of December 2013 to ensure strict adherence to the returned premium statute.

3. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with Insurance Department Act, Section 904(b), [40 P.S. §323.4], so that violations noted in the report do not occur in the future.

   The Company is currently retaining all sales calls as of January 2014 in accordance with Section 904(b).

4. The Company must review Title 75, Pa. C.S. §1791.1(a) violations to ensure that the itemized invoice is given to the insured at the time of application and every renewal thereafter as noted in the report.

   The itemized invoice is currently being programmed and implementation for full compliance will be completed by the end of 2nd Quarter 2014.

5. The Company must review Title 75, Pa. C.S. §1791.1(b) violations to ensure that the notice of tort options is given to the insured at the time of application and every renewal thereafter as noted in the Report.

   The notice of tort options is currently being programmed with an expected implementation date of March 2014.

6. When a surcharge is imposed on a private passenger automobile policy, the Company must identify the amount of surcharge and give notice to the insured. This procedure must be implemented within 30 days of the Report issue date. This is to ensure that violations under Title 75, Pa. C.S. §1799.3(d) do not occur in the future.

   The programming to display surcharges and give notice to the insured on the declarations page is currently underway with an expected implementation date of March 2014.

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

   We have verified that the rating issue was an isolated incidence that will not occur again.

8. The premium overcharge noted in this report must be refunded to the insured and proof of such refund must be provided to the Insurance Department within 30 days of this report.

   The $3 premium overcharge was refunded and proof provided to the Insurance Department in January 2014.

9. The Company must review practices and procedures that do not comply with availability of limits and coverage requirements of Act 205, Section 4 [40 P.S §1171.4], Title 75, Pa. C.S. §§1702 and 1711 and Title 31, Pa. C.S. §§51.21 and 51.22 so that the violations noted in the Report do not occur in the future.

   The Company website has been updated with the appropriate required medical benefits coverage limit as of October 2013. In addition, training has been provided and process change implemented to ensure all Sales Agents inform insureds of the availability of Limits and Coverages in Pennsylvania.

10. The Company should review and revise internal controls procedures to ensure compliance with the claims handling requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to providing acknowledgements, claims acceptance or denials and status letters as noted in the Report do not occur in the future.

    The Company has addressed internal claims control procedures to train and ensure that the acknowledgements, claims acceptance or denials and the status letters are fully compliant with Title 31, Pennsylvania Code Chapter 146, as of September 2013.

11. The Company must review Title 31, Pa. code, Section 69.52(b) with its claim staff to ensure that first party medical bills are paid within 30 days.

    The Company has addressed internal claims control procedures to ensure all first party claims are paid within 30 days, this implementation was completed September 2013.

12. The Company must review the first party medical claims, which have not been paid within 30 days. Those claims that have not paid within 30 days shall bear interest as the rate of 12% per annum from the date the benefits become due as required by Tile 75, Ps. C.S. §1716. The interest amount must be paid to the claimant and proof of such payment must be provided to the Insurance Department within 30 days of the Report issue date.

    All required interest payments have been made and proof has been provided to the Insurance Department as of January 2014.

13. The Company must review Title 31, Pa. Code, Section 62.3(e)(7) with its claims staff to ensure that the consumer receives the total loss evaluation report within 5 working days after the appraisal is completed.

The Company has addressed and implemented, as of September 2013, internal claims procedures to ensure that the consumer receives the total loss evaluation report within 5 working days after the appraisal is completed.

14. The Company must review Title 75, Pa. C.S. §116 (a)&(b) with its claims staff to ensure that salvage certificates are obtained and are retained with the claim file.

    The Company has addressed and implemented, as of September 2013, internal claims procedures to ensure that the salvage certificates are obtained and retained in the claim file.

15. The Company must review Title 31, Pa. Code, Section 69.53(a) and Title 75, Pa. C.S. §1797(b)(1) with its claims 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 medical necessary.

    The Company has obtained a written contract with a peer review organization effective November 2013.