

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

**CONEMAUGH VALLEY MUTUAL
INSURANCE COMPANY**
Johnstown, Pennsylvania

**AS OF
November 23, 2004**

COMMONWEALTH OF PENNSYLVANIA

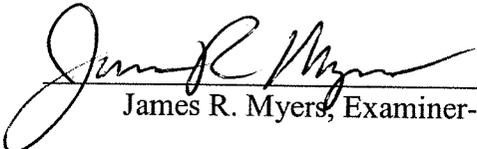


**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: December 17, 2004

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).

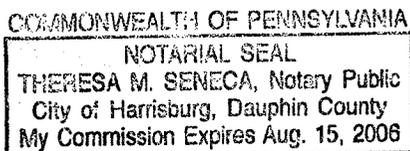

James R. Myers, Examiner-in-Charge

Sworn to and Subscribed Before me

This *23* Day of *November*, 2004



Notary Public



CONEMAUGH VALLEY MUTUAL INSURANCE COMPANY

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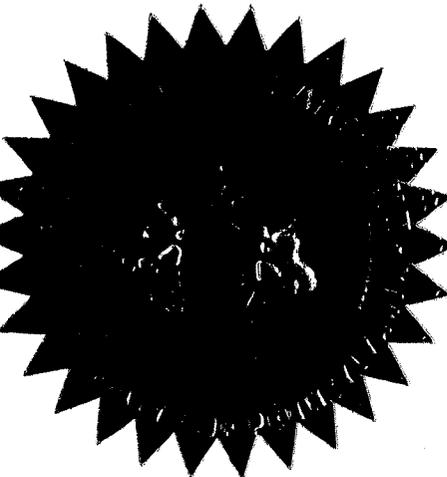
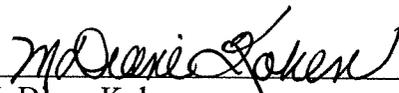
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 29 day of April, 2002, 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 Randolph L. Rohrbaugh, 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.

M. Diane Koken
Insurance Commissioner

Conemaugh Valley Mutual Insurance Company

Docket No.
MC04-11-023

Market Conduct Examination as of the
close of business on November 23, 2004

ORDER

A market conduct examination of Conemaugh Valley Mutual Insurance Company was conducted in accordance with Article IX of the Insurance Department Act, 40 P.S. § 323.1, et seq., for the period July 1, 2003 through June 30, 2004. The Market Conduct Examination Report disclosed exceptions to acceptable company operations and practices. Based on the documentation and information submitted by Respondent, the Department is satisfied that Respondent has taken corrective measures pursuant to the recommendations of the Examination Report.

It is hereby ordered as follows:

1. The attached Examination Report will be adopted and filed as an official record of this Department. All findings and conclusions resulting from the review of the Examination Report and related documents are contained in the attached Examination Report.
2. Respondent shall comply with Pennsylvania statutes and regulations.

3. Respondent shall comply with all recommendations contained in the attached Report.

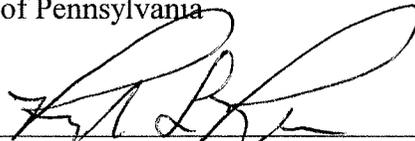
4. The Department will forgo imposition of a monetary penalty given Respondent's stated corrective action.

5. After a period of 12 months, the Department may conduct a re-examination of Respondent to verify all violations noted have been corrected and that procedures are in place to prevent recurrence.

6. 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.

The Department, pursuant to Section 905(e)(1) of the Insurance Department Act (40 P.S. § 323.5), will continue to hold the content of the Examination Report as private and confidential information for a period of thirty (30) days from the date of this Order.

BY: Insurance Department of the Commonwealth
of Pennsylvania



Randolph L. Rohrbaugh
Deputy Insurance Commissioner

(December 17, 2004)

I. INTRODUCTION

The market conduct examination was conducted at Conemaugh Valley Mutual Insurance Company's offices located in Johnstown, Pennsylvania from October 25, 2004, to November 4, 2004. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

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

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

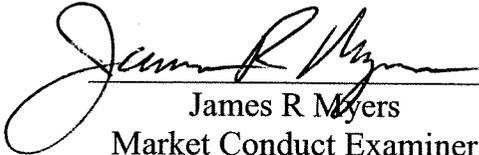
Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel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

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

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



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



James R. Myers
Market Conduct Examiner

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Conemaugh Valley Mutual Insurance Company, hereinafter referred to as “Company,” at their office located in Johnstown, Pennsylvania. 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, 2003, through June 30, 2004, unless otherwise noted. The purpose of the examination was to determine the Company’s compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

1. Personal Lines Property

- Underwriting – Appropriate and timely notices of nonrenewal, mid-term cancellations, 60-day cancellations and declinations.
- Rating – Proper use of all classification and rating plans and procedures.

2. Dwelling Fire

- Rating – Proper use of all classification and rating plans and procedures.

3. Commercial Lines Property

- Underwriting – Appropriate and timely notices of nonrenewals, renewals, mid-term cancellations, 60 day cancellations and declinations.

4. Claims

5. Forms

6. Advertising

7. Complaints

8. Licensing

III. COMPANY HISTORY AND LICENSING

On February 2, 1877, seven men felt the need of mutual protection in Cambria and Somerset Counties and formed Johnstown's first mutual insurance company. Due to the agrarian ingredient, they decided on the name of Cambria Farmers' Union Association of Cambria and Somerset Counties. Since Johnstown is located in the valley of the Conemaugh River near the Conemaugh Gap of the Allegheny Mountains, and another Company had a similar name, the name of the Company was changed to Conemaugh Valley Mutual Fire Insurance Company on September 20, 1890. On April 30, 1960, the word "Fire" was deleted from the Company's name to reflect the present involvement of the Company's growth. The name change coincided with the amendment of their charter to accommodate casualty lines of insurance such as homeowners, mobile homeowners, and business and churches.

LICENSING

Conemaugh Valley Mutual Insurance Company's Certificate of Authority to write business in the Commonwealth was issued on October 21, 1890. The Company is licensed in Pennsylvania only. The Company's 2003 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$2,430,538. Premium volumes related to the areas of this review were: Fire and Allied Lines \$444,524; Homeowners' Multiple Peril \$1,915,694; Commercial Multiple Peril \$22,167.

IV. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed. Underwriting guides were furnished for homeowners, mobile homeowners, dwelling fire and commercial lines. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

V. UNDERWRITING

A. Personal Lines Property

1. 60-Day Cancellations

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

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

The universe of 29 personal lines property policies, which were cancelled within the first 60 days of new business, was selected for review. The property policies consisted of homeowners, tenant homeowners and owner occupied dwelling fire. All 29 files requested were received and reviewed. The violation noted resulted in an error ratio of 3%

The following finding was made.

1 Violation Act 205, Section 5(a)(9)(iv) [40 P.S. §1171.5(a)(9)(iv)]

Requires a notice of cancellation or refusal to renew to advise the insured of his right to request, in writing, within ten days of the receipt of the notice of cancellation or intent not to renew that the Insurance Commission review the action of the insurer. The violation noted was for failure to advise the

insured of his right to request a review by the Insurance Commissioner.

2. Mid-term Cancellations

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

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

From the universe of 800 personal lines property policies, which were cancelled mid-term during the experience period, 150 files were selected for review. The property policies consisted of homeowners, tenant homeowners, mobile homeowners, tenant mobile homeowners, and owner occupied dwelling fire. All 150 files requested were received and reviewed. The 15 violations noted were based on 15 files, resulting in an error ratio of 10%.

The following findings were made:

15 Violations Act 205, Section 5(a)(9)(iv) [40 P.S. §1171.5(a)(9)(iv)]

Requires a notice of cancellation or refusal to renew to advise the insured of his right to request, in writing, within ten days of the receipt of the notice of cancellation or intent not to renew that the Insurance Commission review the action of the insurer. The 15 violations noted were for failure to

advise the insured of his right to request a review by the Insurance Commissioner.

3. Nonrenewals

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

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

The Company reported no policies were nonrenewed during the experience period.

4. Declinations

A declination is any application that is received and the Company declines to write the coverage.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)], discriminatory reasons.

The Company reported no policies were declined during the experience period.

B. Commercial Property

1. Declinations

A declination is any application that is received and the Company declines to write the coverage.

The primary purpose of the 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.

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

2. 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 86, Section 7 (40 P.S. §3407), which requires an insurer, who cancels a policy that is in effect less than 60 days, to provide 30 days notice of termination no later than the 60th day unless the policy provides for a longer period of notification.

The universe of 2 commercial property policies cancelled within the first 60 days of inception was selected for review. Both files requested were received and reviewed. No violations were noted.

3. Mid-term Cancellations

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

The purpose of the review was to determine compliance with Act 86, Section 2 (40 P.S. §3402), which prohibits cancellation except for specified reasons, Section 3 (40 P.S. §3403), which establishes the requirements, which must be met regarding the form and condition of the cancellation notice and Section 4 (40 P.S. §3404), which establishes the requirements for the return of unearned premium to the named insured.

From the universe of 120 commercial property policies cancelled mid-term during the experience period 33 files were selected for review. The commercial property files consisted of commercial packages, commercial fire and tenant occupied dwelling fire. All 33 files requested were received and reviewed. The 3 violations noted were based on 2 files, resulting in an error ratio of 6%.

The following findings were made:

1 Violation Act 86, Section 3(a)(3) [40 P.S. §3403(a)(3)]

Requires a written notice of cancellation must be forwarded directly to the named insured or insureds at least 60 days in advance of the effective date of termination. The violation noted was for failure to provide 60 days notice of cancellation.

1 Violation Act 86, Section 3(a)(6) [40 P.S. §3404(a)(6)]

Requires that a cancellation notice shall state that at the insured's request, the insurer shall provide loss information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured,

whichever is less. The violation noted was for failure to provide an offer of loss information to the insured.

1 Violation Act 86, Section 4(a) [40 P.S. §3404(a)]

Requires the unearned premium must be returned to the insured not later than ten business days after the effective date of termination where commercial property or casualty risks are cancelled midterm by the insurer. The violation noted was for failure to return the unearned premium to the insured within ten business days.

4. 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 review was conducted to determine compliance with Act 86, Section 3 (40 P.S. §3403), which establishes the requirements that must be met regarding the form and condition of the nonrenewal notice.

The universe of 31 commercial property policies which were nonrenewed during the experience period was selected for review. The commercial policies consisted of commercial fire, commercial packages, and tenant occupied dwelling fire. All 31 files requested were received and reviewed. No violations were noted.

5. 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 86, Section 1 (40 P.S. §3401), which requires 30 days advance notice of an increase in renewal premium.

From the universe of 1,289 commercial property policies identified by the Company as renewals during the experience period, 25 files were selected for review. The policies consisted of commercial fire, commercial packages, and tenant occupied dwelling fire. All 25 files selected were received and reviewed. The 5 violations noted were based on 5 files, resulting in an error ratio of 20%.

The following findings were made.

5 Violations Act 86, Section 1 [40 P.S. §3401]

Requires a policy of insurance covering property and casualty risks in this Commonwealth shall provide for not less than 30 days advance notice to the named insured of an increase in renewal premium. The violations noted were for failure to advise the insured 30 days in advance of an increase in premium.

VI. RATING

A. Homeowners

1. New Business

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

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

Homeowners - New Business

From the universe of 628 homeowner policies written as new business during the experience period, 50 files were selected for review. All 50 files requested were received and reviewed. No violations were noted.

2. Renewals

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

The purpose of the review was to determine compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in the Commonwealth. Also, no insurer shall make or issue

a contract or policy except in accordance with filings or rates which are in effect at the time.

Homeowners – Renewals without Surcharges

From the universe of 6,019 homeowner policies renewed without surcharges during the experience period, 50 files were selected for review. All 50 files requested were received and reviewed. No violations were noted.

Homeowners – Renewals with Surcharges

The universe of 7 homeowner policies renewed with surcharges during the experience period was selected for review. All 7 files requested were received and reviewed. No violations were noted.

B. Dwelling Fire

1. New Business

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

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

From the universe of 206 dwelling fire policies written as new business during the experience period 25 files were selected for review. All 25 files requested were received and reviewed. No violations were noted.

2. Renewals

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

The purpose of the review was to determine 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.

From the universe of 305 dwelling fire policies renewed during the experience period, 25 files were selected for review. All 25 files requested were received and reviewed. No violations were noted.

VII. CLAIMS

The Company was requested to provide copies of all established written claim handling procedures utilized during the experience period. Written claim handling procedures were received and reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

The Claims review consisted of the following areas of review:

- A. Homeowner Claims
- B. Dwelling Fire Claims

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. Homeowner Claims

From the universe of 554 homeowner claims reported during the experience period, 50 files were selected for review. All 50 files requested were received and reviewed. The 8 violations noted were based on 8 files, resulting in an error ratio of 16%.

The following findings were made:

7 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 violations noted were failure to provide the claimant with a 30 or 45 day status letter.

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

Acceptance or denial of a claim shall comply with the following: Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. No insurer shall deny a claim on the grounds of a specific policy provision, condition, or exclusion unless reference to such provision, condition or exclusion is included in the denial. The denial must be given to the claimant in writing and the claim file of the insured shall contain a copy of the denial. The violation noted was for failure to advise the claimant of a denial in writing outlining the specific exclusion, provision or condition the denial was based on.

B. Dwelling Fire Claims

From the universe of 49 dwelling fire claims reported during the experience period 20 files were selected for review. All 20 files selected were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 15%.

The following finds were 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 violations noted were failure to provide the claimant with a 30 or 45 day status letter.

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

Every insurer, upon receipt of a claim shall, within ten working days, acknowledge the receipt of such notice unless payment is made with such period of time. If an acknowledgement is made by means other than in writing, an appropriate notation shall be made in the claim file of the insurer. The violation noted was the result of failure to acknowledge the claim within ten working days.

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 and claim files were also reviewed to verify compliance with Act 165 of 1994 [18 Pa. C.S. §4117(k)(1)] and Act 6 of 1990 [75 Pa. C.S. §1822] which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage.

The following finds were made:

2 Violations Title 18, Pa. C.S. §4117(k)(1)

All applications for insurance and all claim forms shall contain or have attached thereto the following notice: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties. The 2 violations noted

for were failure to provide a fraud warning on a Property Loss Report and a General Release Form.

IX. ADVERTISING

The Company was requested to provide copies of all advertising, sales material and internet advertisements in use during the experience period.

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 Company provided 5 pieces of advertising, which included brochures and magazine ads. Internet advertising via the internet was also reviewed. No violations were noted.

X. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the preceding four years. The Company identified 4 consumer complaints received during the experience period and provided all consumer complaint logs requested. All 4 files were selected 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. No violations were noted.

The following synopsis reflects the nature of the 8 complaints that were reviewed.

• 3	Cancellation/Nonrenewal	38%
• 5	Claims Related	62%
<hr/>		<hr/>
8		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 agents during the experience period and a listing of all agents terminated during the experience period.

Underwriting files were checked to verify proper licensing and appointment.

The following findings were made:

2 Violations Insurance Department Act, No. 147, Section 641.1A [40 P.S. §310.41a]

(a) Any insured entity or licensee accepting applications or orders for insured or securing any insurance business that was sold, solicited or negotiated by any person acting without an insurance producer license shall be subject to civil penalty of no more than \$5,000.00 per violation in accordance with this act. This section shall not prohibit an insurer from accepting an insurance application directly from a consumer or prohibit the payment or receipt of referral fees in accordance with this act. The following producers were found to be writing and /or soliciting policies but were not found in Insurance Department records as holding a Pennsylvania producer license.

Global Group of PA, Inc

Dave Davis Enterprises, Inc

22 Violations Insurance Department Act, No. 147, Section 671-A [40 P.S.

§310.71]

(a) Representative of the insurer – An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.

(b) Representative of the consumer – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:

(1) Delineate the services to be provided; and

(2) Provide full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.

(c) Notification to Department – An insurer that appoints an insurance producer shall file with the Department a notice of appointment. The notice shall state for which companies within the insurer's holding company system or group the appointment is made.

(d) Termination of appointment – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer's license is suspended, revoked or otherwise terminated.

(e) Appointment fee – An appointment fee of \$12.50 will be billed annually to the insurer for each producer appointed by the insurer during the preceding calendar year regardless of the length of time the producer held the appointment with the insurer. The appointment fee may be modified by regulation.

(f) Reporting – An insurer shall, upon request, certify to the Department the names of all licensees appointed by the insurer. The following producers were found to be writing policies but were not found in Insurance Department records of having an appointment. The Company failed to file a notice of appointment and submit appointment fees to the Department.

D Allen Brant

Trent Insurance Agency, Inc

Lynn Sill

Gary D Shetter, Jr

Robert Brotemarkle

Gerald Yock

Shear Raisley Insurance Agency

James P Kimmel

Raymond E Williams

Cleon Livingston Agency, Inc

David J Butch

Michael P McMahon

Lyle L Bair

Tammy V Watt

George W Adams

Kalsey Insurance Agency, Inc

Richard W Kotch, Jr

Franklin L Namath

David J Consiglio

Dennis L Burket

Patrick D Horne

Abraham & Petrini Insurance, Inc

XII. 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 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 regarding acknowledgements, status letters and claim denials as noted in the Report do not occur in the future.
2. The Company must ensure all producers are properly licensed and appointed, as required by Section 641.1-A [40 P.S. §310.41a] and Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, prior to accepting any business from a producer.
3. The Company must review Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)] to ensure that violations regarding the requirements for cancellation notices, as noted in the Report, do not occur in the future.
4. The Company must reinforce its internal underwriting controls to ensure that notices of cancellation provided to the named insured meet the requirements of Act 86, Section 3 [40 P.S. §3403].
5. The Company must reinforce its internal underwriting controls to ensure that notices of premium increases are provided to the insured as required under Act 86, Section 1 [40 P.S. §3401].

6. The Company must review Title 18, Pa. C.S. §4117(k)(1) to ensure that violations regarding the requirement of a fraud warning on all applications and claim forms, as noted in the Report, do not occur in the future.

XIII. COMPANY RESPONSE

CONEMAUGH VALLEY MUTUAL INSURANCE COMPANY
701 BELMONT AVENUE, JOHNSTOWN, PA 15904
PHONE (814) 266-8737 FAX (814) 269-4910

December 2, 2004

RECEIVED
INSURANCE DEPT.

DEC 06 2004

Commonwealth of Pennsylvania Insurance Department
Bureau of Enforcement
1321 Strawberry Square
Harrisburg, PA 17120

BUREAU OF ENFORCEMENT

Attention. Chester A. Derk, Jr.

RE: Market Conduct Examination Warrant Number: 04-M22-024

Dear Mr. Derk

We have reviewed the Report of Examination of Conemaugh Valley Mutual Insurance Company and the recommendations. These recommendations have been corrected as indicated below:

1. We have reviewed our internal control procedures of claim handling and have revised them to ensure compliance with the requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices so that the violations noted in our report do not occur in the future. Claim files will be reviewed more carefully and provide notices for delay of settlements on applicable claim files
2. We have reviewed our producers' list to insure proper licensing and appointments as required by Section 641.1-A [40 P.S. 310.41a] and Section 671-A [40 P.S. 310.71] of the Insurance Department Act no. 147. The violations have been identified and have been corrected.
3. We have reviewed Act 205, Section 5(a)(9) [40 P.S. 1171.5(a)(9)] to ensure that violations of the type noted in the report do not occur in the future. The violations have been corrected.
4. We have reviewed Act 86, Section 3 [40 P.S. 3403] and have reinforced our internal underwriting controls to ensure that notices of cancellations provided to the named insured are met.

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5. We have reinforced our internal underwriting controls to ensure that proper notices are being sent to the insured to advise of premium increases as required under Act 86, Section 1 [40 P.S. 3401].

6. We have reviewed Title 18, C.S 4117(k)(1) to ensure that the fraud warning is on all applications and claim forms. The violations have been corrected.

We thank you for this opportunity to have the PA Insurance Department come to our company and highly commend the examiner for his help, guidance and goodwill during the examination. We have taken all the recommendations very seriously and have done the necessary steps to correct all of them.

If you should have any other questions or concerns, please do not hesitate to contact us.

Sincerely

CONEMAUGH VALLEY MUTUAL INSURANCE COMPANY

A handwritten signature in cursive script, appearing to read "Jeffrey D. Wingard".

Jeffrey D. Wingard
Manager