

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

INTEGON NATIONAL INSURANCE COMPANY
Winston-Salem, North Carolina

**AS OF
March 14, 2005**

COMMONWEALTH OF PENNSYLVANIA

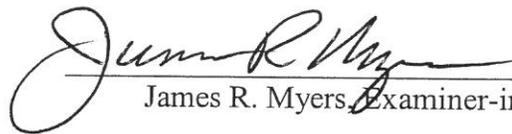


**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: April 29, 2005

VERIFICATION

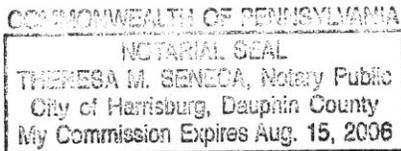
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).


James R. Myers, Examiner-in-Charge

Sworn to and Subscribed Before me

This 22 Day of February, 2005


Notary Public



INTEGON NATIONAL INSURANCE COMPANY

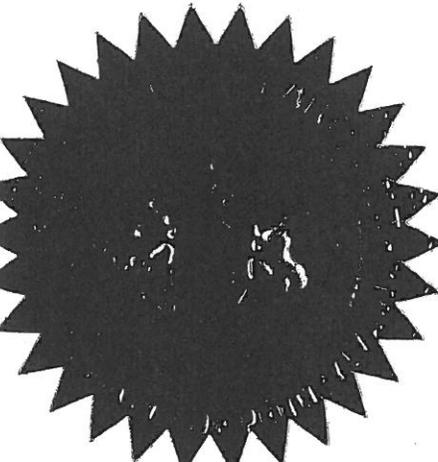
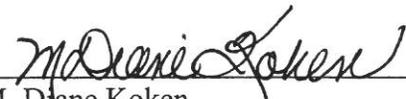
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

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

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
INTEGON NATIONAL INSURANCE	:	Section 671.1-A of Act 147 of 2002
COMPANY	:	(40 P.S. §§ 310.71)
500 West Fifth Street	:	
Winston-Salem, NC 27102	:	Act 1990-6, Sections 1791.1(a) and
	:	1799.3(d) (Title 75, Pa.C.S. §§ 1791
	:	and 1799)
	:	
	:	Sections 2, 3(a)(1), 3(a)(3), 3(a)(5) and
	:	3(a)(6) of the Act of July 3, 1986, P.L.
	:	396, No. 86 (40 P.S. §§ 3402 and
	:	3403)
	:	
	:	Sections 2003(a)(10), (13) and (14),
	:	and 2003(d) of Act 68 of 1998 (40 P.S.
	:	§§991.2003)
	:	
	:	Title 31, Pennsylvania Code, Sections
	:	69.52(b), 146.6 and 146.7(a)(1)
	:	
	:	Title 75, Pennsylvania Consolidated
	:	Statutes, Section 1822
	:	
	:	
	:	
Respondent.	:	Docket No. MC05-03-017

CONSENT ORDER

AND NOW, this 29th day of April, 2005, this Order is hereby
issued by the Deputy Insurance Commissioner 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 Deputy Insurance Commissioner finds true and correct each of the following Findings of Fact:

- (a) Respondent is Integon National Insurance Company, and maintains its address at 500 West Fifth Street, Winston-Salem, North Carolina 27102.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2003 through June 30, 2004.
- (c) On March 14, 2005, the Insurance Department issued a Market Conduct Examination Report to Respondent.

- (d) A response to the Examination Report was provided by Respondent on April 11, 2005.
- (e) The Examination Report notes violations of the following:
- (i) Section 671.1-A of Act 147 of 2002 prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act (40 P.S. § 310.71).
 - (ii) Section 1791.1(a) of Act 1990-6, Title 75, Pa.C.S. § 1791, which requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: “The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage 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;

- (iii) Section 1799.3(d) of Act 1990-6, Title 75, Pa.C.S. § 1799, which requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the named insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect;

- (iv) Section 2 of Act 86 (40 P.S. § 3402), which requires that canceling in mid-term a policy of insurance covering commercial property and casualty risks is prohibited for any reason other than the following:
 - (1) A condition, factor or loss experience material to insurability has changed substantially or a substantial condition, factor or loss experience material to insurability has become known during the policy term.
 - (2) Loss of reinsurance or a substantial decrease in reinsurance has occurred, which loss or decrease shall, at the time of cancellation, be certified to the Commissioner as directly affecting in-force policies.
 - (3) The insured has made a material misrepresentation, which affects the insurability of the risk.
 - (4) The policy was obtained through fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company.

- (5) The insured has failed to pay a premium when due, whether the premium is payable directly to the company or its agents or indirectly under a premium finance plan or extension of credit.
 - (6) The insured has requested cancellation.
 - (7) Material failure to comply with policy terms, conditions or contractual duties.
 - (8) Other reasons that the Insurance Commissioner may approve;
- (v) Section 3(a)(1) of Act 86 (40 P.S. § 3403), which requires a nonrenewal notice be forwarded by registered or first class mail or delivered by the insurance company directly to the named insured or insureds;
- (vi) Section 3(a)(3) of Act 86 (40 P.S. § 3403), which requires a written notice of cancellation in the manner prescribed in this section must be forwarded directly to the named insured or insureds at least 60 days in advance of the effective date of termination;
- (vii) Section 3(a)(5) of Act 86 (40 P.S. § 3403), which requires that a nonrenewal notice shall state the specific reasons for nonrenewal. The reasons shall identify the condition, factor or loss experience which caused the nonrenewal, and the notice shall provide sufficient information or data for the insured to correct the deficiency;

- (viii) Section 3(a)(6) of Act 86 (40 P.S. § 3403), which 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;
- (ix) Section 2003(a)(10) of Act 68 of 1998 (40 P.S. § 991.2003), which prohibits an insurer from canceling or refusing to write or renew a policy of automobile insurance for any of the following reasons: Lawful occupation, including military service;
- (x) Section 2003(a)(13) of Act 68 of 1998 (40 P.S. § 991.2003), which prohibits an insurer from canceling or refusing to write or renew a policy of automobile insurance for not at-fault accidents;
- (xi) Section 2003(a)(14) of Act 68 of 1998 (40 P.S. § 991.2003), which prohibits an insurer from canceling or refusing to write or renew a policy of automobile insurance for any of the following reasons: Any claim under the comprehensive portion of the policy unless intentionally caused by the insured;

- (xii) Section 2003(d) of Act 68 of 1998 (40 P.S. § 991.2003), which requires any applicant for a policy who is refused such policy by an insurer shall be given a written notice of the refusal to write by the insurer. The notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant;
- (xiii) 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;
- (xiv) Title 31, Pennsylvania Code, Section 146.6, requires that 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;
- (xv) 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. 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 insurer shall contain a copy of the denial; and

- (xvi) Title 75, Pennsylvania Consolidated Statutes, Section 1822, which requires not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a statement that clearly states, in substance, the following: Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing any false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000.00.

CONCLUSIONS OF LAW

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

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of Section 671.1-A of Act 147 of 2002 are punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):

- (i) suspension, revocation or refusal to issue the certificate of qualification or license;
- (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
- (iii) an order to cease and desist; and
- (iv) any other conditions as the Commissioner deems appropriate.

(c) Respondent's violations of Sections 2, 3(a)(1), 3(a)(3), 3(a)(5) and 3(a)(6) of Act 86 (40 P.S. §§ 3402 and 3403), are punishable under Section 8 (40 P.S. § 3408) of this act by one or more of the following causes of action:

- (i) Order that the insurer cease and desist from the violation.
- (ii) Impose a fine or not more than \$5,000 for each violation.

(d) Respondent's violations of Sections 2003 of Act 68 of 1998 (40 P.S. § 991.2003) 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).

(e) Respondent's violations of Title 31, Pennsylvania Code, Sections 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.
- (f) 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).

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Deputy Insurance Commissioner orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Twenty-Seven Thousand Dollars (\$27,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.
- (e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Harbert, Administrative Assistant, Bureau of Enforcement, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

6. In the event the Deputy Insurance Commissioner 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 Deputy Insurance Commissioner 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 Deputy Insurance Commissioner 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 Deputy Commissioner finds that there has been a breach of any of the provisions of this Order, the Deputy Commissioner 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 Deputy Insurance Commissioner. Only the Insurance Commissioner or a duly authorized Deputy Insurance Commissioner 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 Deputy Insurance Commissioner.

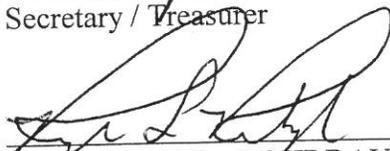
BY: INTEGON NATIONAL INSURANCE
COMPANY, Respondent



President / Vice President



Secretary / Treasurer



RANDOLPH L. ROHRBAUGH
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The market conduct examination was conducted at Integon National Insurance Company's office located in Winston Salem, North Carolina, from January 10, 2005, to January 21, 2005. 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 Integon National Insurance Company, hereinafter referred to as "Company," at their office located in Winston Salem, North Carolina. 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 Automobile
 - Underwriting - Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, declinations and rescissions.
 - Rating - Proper use of all classification and rating plans and procedures.
2. Commercial Automobile
 - Underwriting – Appropriate and timely notices of nonrenewals, midterm cancellations, 60-day cancellations, declinations, renewals and rescissions.
3. Claims
4. Forms
5. Advertising
6. Complaints
7. Licensing

III. COMPANY HISTORY

Integon National Insurance Company was originally incorporated as Bankers and Shippers Insurance Company of New York on December 23, 1918, under the laws of New York and began business on January 9, 1919. On December 15, 1995, the Company was redomesticated to North Carolina. The current name of Integon National Insurance Company was adopted on April 25, 1996.

Integon National Insurance Company is a wholly owned subsidiary of GMAC Insurance Management Corporation, which is owned by GMAC Insurance Holdings, Inc. The Company specializes in underwriting and marketing nonstandard personal automobile insurance and specialized commercial automobile insurance.

IV. LICENSING

Integon National Insurance Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2004. The Company is licensed in all states and the District of Columbia. The Company's 2003 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$2,617,725. Premium volume related to the areas of this review were: Private Passenger Automobile Direct Written Premium was reported as Private Passenger Auto No-Fault (personal injury protection) \$217,969; Private Passenger Auto Liability \$761,101; and Private Passenger Auto Physical Damage \$590,411; Other Commercial Auto Liability \$698,943 and Commercial Auto Physical Damage \$270,986.

V. 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 a commercial automobile and 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.

The following violations were noted.

1 Violation Act 68, Section 2003(a)(10) [40 P.S. §991.2003(a)(10)]

Discrimination Prohibited – (a) An insurer may not cancel or refuse to write or renew a policy of automobile insurance for any of the following reasons: Lawful occupation (including military service). The company is using military service as criteria for refusal to write a policy of automobile insurance. Their guideline states: “Unacceptable Risks -Unacceptable Operators – Entertainers, celebrities, or any professional who is nationally or locally well known

1 Violation Act 68, Section 2003(a)(13) [40 P.S. §991.2003(a)(13)]

Discrimination Prohibited – (a) An insurer may not cancel or refuse to write or renew a policy of automobile insurance for any of the reasons specified in 2003(a)(13). The Company is using not at-fault accidents, in general, as criteria for refusal to write a policy of

automobile insurance. Their guideline states: “Unacceptable Risks - Any operator who has 4 or more accidents – regardless of fault.”

1 Violation Act 68, Section 2003(a)(14) [40 P.S. §991.2003(a)(14)]

Discrimination Prohibited – (a) An insurer may not cancel or refuse to write or renew a policy of automobile insurance for any of the following reasons: Any claim under the comprehensive portion of the policy unless intentional caused by the insured. The Company is using comprehensive losses as criteria for refusal to write a policy of automobile insurance. Their guideline states: “Unacceptable Vehicles – Any risk with 4 or more comprehensive claims in the experience period.”

VI. 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.

The Company reported no policies were cancelled within the first 60 days of new business during the experience period.

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 144 private passenger automobile files identified as mid-term cancellations by the Company, 75 files were selected for review. All 75 files selected were received and reviewed. No violations were noted.

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 18 private passenger automobile files identified as nonrenewals by the Company was selected for review. All 18 files were received and reviewed. The 18 violations were based on the universe of 18 files, resulting in an error ratio of 100%.

The following violations were noted.

18 Violations Act 68, Section 2003(d) [40 P.S. §991.2003(d)]

Requires that subsequent to the twelve (12) month period after notice of termination given to an agent, an insurer may not cancel or refuse to renew existing policies written through the terminated agent without offering each such insured coverage on a direct basis or offering to refer the insured to one or more new agents in the event the terminated agent

could not find a suitable insurer acceptable to the policyholder for such business. The violations noted were for failure to offer to write the insured on a direct basis.

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 Company reported no policies were declined during the experience period.

5. Rescissions

A rescission is a policy that was cancelled back to the original inception date and no coverage was afforded.

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.

The universe of 1 personal automobile file identified as being rescinded by the Company during the experience period was selected for review. The file was received and reviewed. No violations were noted.

B. Private Passenger Automobile – Assigned Risk

The Company is an excused carrier under the assigned risk Limited Assignment Distribution procedure. Under this procedure groups of companies not under common ownership or management may form a Limited Assignment Distribution (LAD) arrangement. Each LAD arrangement has one servicing company, which writes assigned risk business on behalf of those members, which choose to buy out from their private passenger quota. As part of this arrangement the Company wrote no assigned risk business during the experience period.

C. Commercial Automobile

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 and Section 3 (40 P.S. §3403), which establishes the requirements, which must be met regarding the form and condition of the cancellation notice.

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 Company reported no policies were cancelled within the first 60 days of new business during the experience period.

2. Midterm Cancellations

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

The universe of 98 commercial automobiles policies that were cancelled midterm during the experience period was selected for review. All 98 files were received and reviewed. The 78 violations noted were based on 77 files, resulting in an error ratio of 79%

76 Violations Act 86, Section 3(a)(6) [40 P.S. §3403(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 violations noted were for failure to provide an offer of loss information to the insured.

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

Requires a written notice of cancellation in the manner prescribed in this section 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 did not evidence the cancellation notice was forwarded to the insured at least 60 days in advance.

1 Violation Act 86, Section 2 [40 P.S. §3402]

Requires that canceling in mid-term a policy of insurance covering commercial property and casualty risks is prohibited for any reason other than the following:

- (1) A condition, factor or loss experience material to insurability has changed substantially or a substantial condition, factor or loss experience material to insurability has become known during the policy term.

- (2) Loss of reinsurance or a substantial decrease in reinsurance has occurred, which loss or decrease shall, at the time of cancellation, be certified to the Insurance Commissioner as directly affecting in-force policies.
- (3) The insured has made a material misrepresentation, which affects the insurability of the risk.
- (4) The policy was obtained through fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company.
- (5) The insured has failed to pay a premium when due, whether the premium is payable directly to the company or its agents or indirectly under a premium finance plan or extension of credit.
- (6) The insured has requested cancellation.
- (7) Material failure to comply with policy terms, conditions or contractual duties.
- (8) Other reasons that the Insurance Commissioner may approve.

The violation noted was for failure to cancel a policy for a permitted reason.

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 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 14 commercial automobile policies identified as nonrenewals by the Company was selected for review. All 14 files selected were received and reviewed. The 15 violations noted were based on 14 files, resulting in an error ratio of 100%.

The following findings were made:

13 Violations Act 86, Section 3(a)(6) [40 P.S. §3403(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 violations noted were for failure to provide an offer of loss information to the insured.

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

Requires a nonrenewal notice be forwarded by registered mail or first class mail or delivered by the insurance company directly to the named insured or insureds. The violation noted was absent any evidence a notice was delivered or mailed to the insured.

1 Violation Act 86, Section 3(a)(5) [40 P.S. §3403(a)(5)]

Requires that a nonrenewal notice shall state the specific reasons for nonrenewal. The reasons shall identify the

condition, factor or loss experience, which caused the nonrenewal. The notice shall provide sufficient information or data for the insured to correct the deficiency.

AND

Title 31, Pa. Code, §113.88

Requires that the reason given for nonrenewal or cancellation shall be clear and complete. It shall be stated so that a person of average intelligence and education can understand it.

Phrases such as “losses” or “underwriting reasons” are not sufficiently specific reasons for nonrenewal or cancellation.

The violation noted was for failure to provide a specific reason for termination.

4. 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 171 commercial automobile policies, which were renewed during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. No violations were noted.

5. 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 defined unfair methods of competition and unfair or deceptive acts or practices.

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

6. Rescissions

A rescission is a policy that was cancelled back to the original inception date and no coverage was afforded.

The universe of 3 commercial automobile files identified as being rescinded by the Company during the experience period was selected for review. The 3 files were received and reviewed. No violations were noted.

VII. RATING

A. Private Passenger Automobile

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

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.

Private Passenger Automobile – New Business Without Surcharges

The Company reported no new business without surcharges was issued during the experience period.

Private Passenger Automobile – New Business With Surcharges

The Company reported no new business with surcharges was issued during the experience period.

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 processes and issues personal automobile policies using an automated system. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the

input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

Private Passenger Automobile – Renewals Without Surcharges

From the universe of 696 private passenger automobile policies renewed during the experience period, 50 files without surcharges were selected for review. All 50 files selected were received and reviewed. The 696 violations were based on the universe of 696 files, resulting in an error ratio of 100%.

The following findings were made:

696 Violations Act 1990-6, Section 17, 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 696 violations noted were result of not having an itemized minimum coverage invoice on the renewal declarations.

Private Passenger Automobile – Renewals With Surcharges

From the universe of 205 private passenger automobile policies renewed during the experience period with surcharges, 50 files were selected for review. All 50 files selected were received and reviewed. The 410 violations were based on the universe of 205 files, resulting in an error ratio of 100%.

The following findings were made:

205 Violations Act 1990-6, Section 17, 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 205 violations noted were result of not having a minimum coverage invoice on the renewal declarations.

205 Violations Act 1990-6, Section 19, 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 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. The 205 files noted failed to identify and provide a description of the accident or violation, which resulted in the surcharge and advise the insured of the surcharge information.

Private Passenger Automobile – Renewals In a Higher Plan

This Company did not report any automobile renewals in a higher plan during the experience period.

B. Private Passenger Automobile – Assigned Risk

The Company is an excused carrier under the assigned risk Limited Assignment Distribution procedure. Under this procedure groups of companies not under common ownership or management may form a Limited Assignment Distribution (LAD) arrangement. Each LAD arrangement has one servicing company, which writes assigned risk business on behalf of those members, which choose to buy out from their

private passenger quota. As part of this arrangement, the Company wrote no assigned risk business during the experience period.

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

The primary purpose of the review was to determine compliance with 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 79 private passenger automobile property damage claims reported during the experience period, 25 claim files were selected for review. All 25 files requested were received and reviewed. The 2 violations noted were based on 2 files resulting in an error ratio of 8%.

The following findings were made:

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 violation noted was absent 30 or 45 day status letters.

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

Acceptance or denial of a claim shall comply with the following: No insurer shall deny a claim on the grounds of a specific policy provision, condition or exclusion unless 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 insurer shall contain a copy of the denial. The violation noted was for failure to notify the claimant of a denial in writing.

B. Automobile Comprehensive Claims

The universe of 36 private passenger automobile comprehensive claims reported during the experience period was selected for review. All 36 files requested were received and reviewed. The 4 violations noted were based on 3 files resulting in an error ratio of 8%.

The following findings were made:

3 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 3 violations noted were absent 30 or 45 day status letters.

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

Acceptance or denial of a claim shall comply with the following: No insurer shall deny a claim on the grounds of a specific policy provision, condition or exclusion unless 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 insurer shall contain a copy of the denial. The violation noted was for failure to notify the claimant of a denial in writing.

C. Automobile Collision Claims

From the universe of 74 private passenger automobile collision claims reported during the experience period, 50 claim files were selected for review. All 50 files requested were received and reviewed. The 3 violations were based on 3 files, resulting in an error ratio of 6%.

3 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 3 violations noted were absent any 30 or 45 day status letter.

D. Automobile Total Loss Claims

The universe of 5 private passenger automobile total loss claims reported during the experience period was selected for review. All 5 files were received and reviewed. No violations were noted.

E. Automobile First Party Medical Claims

The universe of 28 private passenger automobile first party medical claims reported during the experience period was selected for review. All 28 files were received and reviewed. The violation noted resulted in an error ratio of 4%.

The following finding was made:

1 Violation 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 violation noted was the result of a bill not being paid within 30 days.

F. Automobile First Party Medical Claims Referred to a PRO

The Company reported no First Party Medical claims were referred to a PRO during the experience. It was also noted the Company does have a contract with a PRO.

IX. 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. CS §4117(k)(1)] and Act 6 of 1990 [75 Pa. CS §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 findings were made:

Automobile Rating – Renewal Business Without Surcharges

696 Violations Act 1990-6, Title 75, Pa. C.S. §1822

Warning notice on application for insurance and claim forms. Not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a statement that clearly states in substance the following: “Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000.” The 696 violations noted were the result of

not providing the required fraud notice with the renewal policy.

Automobile Rating – Renewal with Surcharges

205 Violations Act 1990-6, Title 75, Pa. C.S. §1822

Warning notice on application for insurance and claim forms. Not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a statement that clearly states in substance the following: “Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000.” The 205 violations noted were the result of not providing the required fraud notice with the renewal policy.

X. 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 2 pieces of advertising, which included brochures. Internet advertising was also reviewed. No violations were noted.

XII. LICENSING

In order to determine compliance by the Company and its agency force with the licensing requirements applicable to Section 605 [40 P.S. §235] and Section 623 [40 P.S. §253] of the Insurance Department Act, and effective June 4, 2003, 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:

19 Violations Insurance Department Act, No. 147, Section 671-A (40 P.S. §310.71) Effective 06/04/2003

(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.

Richard M Coran, Inc.

Loring M Reagle and Son, Inc.

Juniata Insurance Agency, Inc.

Robert L Herr Agency, Inc.

Kish Agency, Inc.

Fanelli-Harley-Harper Assoc. LTD

Dunlop Insurance, Inc.
McGinley Insurance Agency
Limberley Vassel Insurance Service, LTD
Lake Region Insurance, Inc.
Woodring-Roberts Corporation
Al-Jay Insurance Agency, Inc.
Byerly Insurance Agents & Brokers, Inc.
C F Buntack Agency
The Insurance Man, Inc.
AAA Southern PA Insurance Agency, Inc.
I J Hosey Sons Insurance Agency, Inc.
Young Insurance Agency
Intercorp, Inc.

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 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 status letters, and claim denials as noted in the Report do not occur in the future.
2. 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.
3. When a surcharge is imposed on a private passenger automobile policy the Company must include specifics of accidents and citations and give notice to the insured. This procedure must be implemented within 30 days of the Report issue date. This is to ensure that violations noted under Act 1990-6, Section 19, Title 75, Pa. C.S. §1799.3(d) do not occur in the future.
4. The Company must ensure that all applications for insurance, claim forms and renewals contain a statement that clearly states in substance the following: “Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete information or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and

payment of a fine of up to \$15,000.” This is to ensure that violations noted under Act 1990-6, Title 75, Pa. C.S. §1822 do not occur in the future.

5. The Company must review and revise internal procedures to ensure compliance with notice requirements of Act 68, Section 2003 [40 P.S. §991.2008] so that the violations regarding offering to write insureds direct as a result of a terminated agent as noted in the Report do not occur in the future.
6. The Company must review Act 1990-6, Section 17, Title 75, Pa. C.S. §1799.3(d) to ensure that violations regarding the requirement to provide the insured with a surcharge disclosure statement listing the dates of accidents and/or violations as noted in the Report do not occur in the future.
7. The Company must review Act 1990-6, Section 17, Title 75, Pa. C.S. §1791.1(a) to ensure that violations of providing an itemized invoice listing minimum coverages is listed on every renewal as noted in the Report do not occur in the future.
8. The Company must ensure all producers are properly appointed, as required by Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, prior to accepting any business from any producer.
9. The Company must review Act 86, Sections 2 and 3 [40 P.S. §3402 and §3403] to ensure that violations regarding proper cancellation and nonrenewal do not occur in the future.

10. The Company must revise and reissue their underwriting guidelines for use in Pennsylvania to ensure that the guidelines do not exclude applicants from being eligible to obtain insurance for reasons prohibited in Section 2003 of Act 68 [40 P.S. §991.2003].

XIV. COMPANY RESPONSE

GMAC
Insurance

April 8, 2005

Mr. Chet Derk Jr., AIE, HIA
Market Conduct Division Chief
Commonwealth of Pennsylvania
Insurance Department
Bureau of Enforcement
1321 Strawberry Square
Harrisburg, PA 17120

RE: Examination Warrant Number: 04-M22-029
Integon National Insurance Company

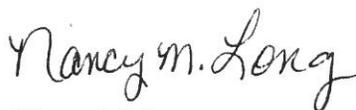
Dear Mr. Derk:

We have reviewed the Report of Examination of Integon National Insurance Company that is dated March 14, 2005. The examination was conducted by Mr. James Myers in our Winston Salem, N. C. office.

Integon National Insurance Company understands the serious nature of the findings identified in the Report and has responded to each of the recommendations listed in the Report in the order they were presented.

The Company appreciates the professionalism and the effectiveness of the examiner while working with us during the onsite examination and during all follow up conversations regarding this Report.

Sincerely,



Nancy M. Long
Compliance Manager
GMAC Insurance

Attachment

XII. COMPANY RESPONSES TO RECOMMENDATIONS

1. The Company accepts the Department's recommendation and has conducted training with the staff to review Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices with particular emphasis on status letters to claimants and all denials being in writing. Additionally, we instituted a "tickler" system that will remind the staff at 25 days initially, and every 40 days thereafter, that a letter may be required.

2. The Company accepts the Department's recommendation and has hired outside counsel to come to the Michigan claims office to provide continuing education on Pennsylvania regulatory requirements to the staff. Claim representatives and managers that handle Pennsylvania claims that are physically outside of the Michigan office will be able to attend the training via a telephone conference bridge. We've asked counsel to specifically go over Title 31, PA Code, Section 69.52 (b) in addition to the other materials he has planned to present. This training will take place within the next 30-45 days. In addition to this further training, we are reviewing our claims procedures to ensure that first party medical bills are paid according to Pennsylvania regulations.

3. The Company accepts the Department's recommendation and will be implementing a systems change within 30 days of the issuance of the Report and will include the specifics of the accidents and citations. We will be filing, for Department approval, a copy of the declarations page showing this addition. It also appears that recommendations 3 and 6 in the report are the same.

4. The Company accepts the Department's recommendation and will be implementing a systems change, to ensure that the fraud notice does print on renewals and has already implemented the correct fraud language on the claims forms. The Company is not accepting new business.

5. The Company accepts the Department's recommendation and has made changes to its agent termination procedures to ensure that policyholders are insured through an in-house agency after the agent is terminated, as required in Act 68, Section 2003 (40 P.S. 991.2008).

6. Please see the above response to recommendation # 3. Both recommendation #3 and #6 appear to be the same.

7. The Company accepts the Department's recommendation and will be implementing a change, to ensure that the minimum limits invoice will show coverage level premium for the required coverages on the declarations page. We will be filing, for Department approval, a copy of the declarations page showing this addition.

8. The Company accepts the Department's recommendation and has reviewed its procedures to ensure that all producers are appointed prior to accepting any business. The Company will make certain that all required new and renewal fees are paid in full by the Company at the time of the request.

9. The Company accepts the Department's recommendation and will be implementing a systems change, to ensure that we are in compliance with Act 86, Sections 2 and 3. We will be filing for Department approval, a copy of our cancellation and nonrenewal notices.

10. The Company accepts the Department's recommendation. The Company has not accepted new business in the Company since October 1999, the underwriting guideline has not been enforced by the Company. Therefore, no policies were cancelled or refused because of the rule. However, we will update our internal guidelines to reflect the changes as outlined.