

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

**HARTFORD CASUALTY INSURANCE
COMPANY**

Indianapolis, Indiana

**AS OF
July 8, 2008**

COMMONWEALTH OF PENNSYLVANIA

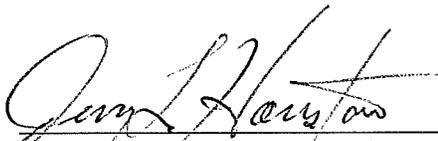


**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: September 4, 2008

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).



Jerry L. Houston, AIE, CPCU, Examiner-In-Charge

Sworn to and Subscribed Before me

This 30 Day of *June*, 2008



Notary Public

COMMONWEALTH OF PENNSYLVANIA

NOTARIAL SEAL
THERESA M. SENECA, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires Aug. 15, 2010

HARTFORD CASUALTY INSURANCE COMPANY

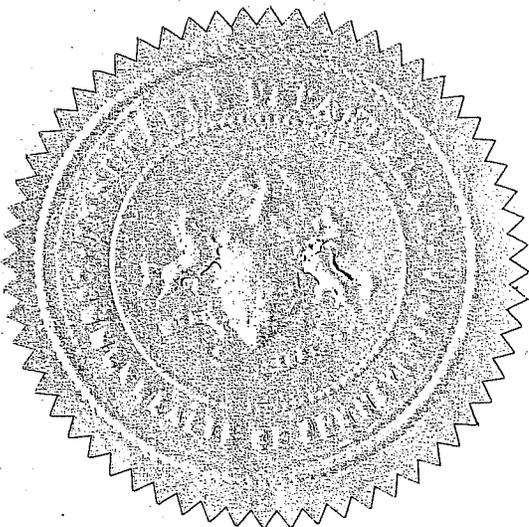
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 22ND day of July, 2008, 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 Ronald A. Gallagher, 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.





Joe S. Ario
Insurance Commissioner

Hartford Casualty Insurance Company
Market Conduct Examination as of the
close of business on July 8, 2008

Docket No.
MC08-07-026

ORDER

A market conduct examination of Hartford Casualty Insurance Company (referred to herein as "Respondent") was conducted in accordance with Article IX of the Insurance Department Act, 40 P.S. § 323.1, et seq., for the period July 1, 2006 through June 30, 2007. 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:

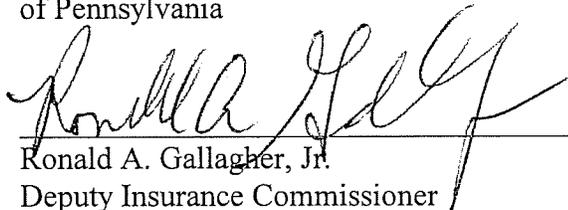
1. The attached Examination Report will be adopted and filed as an official record of this Department. All findings and conclusions resulting from the review of the Examination Report and related documents are contained in the attached Examination Report.
2. Respondent shall comply with Pennsylvania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

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

4. 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



Ronald A. Gallagher, Jr.
Deputy Insurance Commissioner

(September 4, 2008)

I. INTRODUCTION

The market conduct examination was conducted at Hartford Casualty Insurance Company's offices located in Southington, Connecticut and Hartford, Connecticut, from April 21, 2008, through May 9, 2008. 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%.

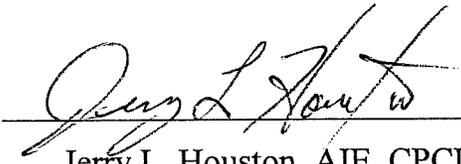
Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel 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.

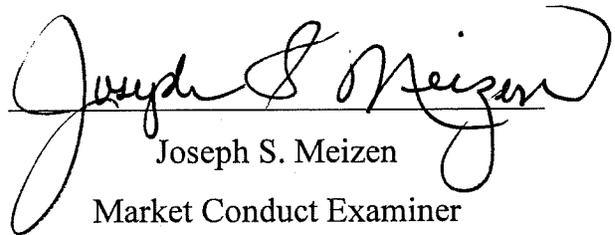
The undersigned participated in this examination and in preparation of this Report.



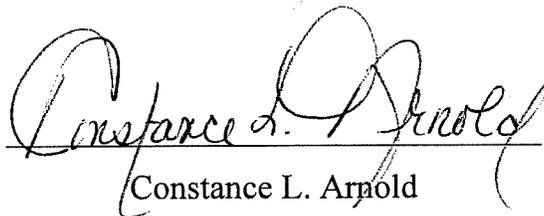
Chester A. Derk, Jr., AIE, HIA
Market Conduct Division Chief



Jerry L. Houston, AIE, CPCU
Market Conduct Examiner



Joseph S. Meizen
Market Conduct Examiner



Constance L. Arnold
Market Conduct Examiner

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Hartford Casualty Insurance Company, hereinafter referred to as “Company,” at their offices located in Southington, Connecticut and Hartford, Connecticut. 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, 2006, through June 30, 2007, unless otherwise noted. The purpose of the examination was to determine the Company’s compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

1. Private Passenger Automobile
 - Underwriting – Appropriate and timely notices of nonrenewal.

2. Property
 - Underwriting – Appropriate and timely notices of midterm cancellations.

3. Commercial Property
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations and renewals.

4. Commercial Automobile
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations and renewals.

5. Workers' Compensation

- Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations and renewals.

6. Complaints

7. Licensing

III. COMPANY HISTORY AND LICENSING

Hartford Casualty Insurance Company was incorporated on March 5, 1987, under the laws of Indiana, with the temporary title of Hartford Casualty Insurance Company of Indiana to serve as the vehicle for a change in domicile of the Company from Jersey City, New Jersey, to Indianapolis, Indiana. The change became effective on July 1, 1987. The predecessor company was incorporated under the laws of New Jersey as the Citizens Insurance Company of New Jersey. It commenced business on December 31, 1929.

LICENSING

Hartford Casualty Insurance Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2008. The Company is licensed in all states and the District of Columbia. The Company's 2007 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$55,209,790. Premium volume related to the areas of this review were: Fire \$45,467; Homeowners Multiple Peril \$612,680; Commercial Multiple Peril (Non-liability portion) \$26,806,995; Commercial Multiple Peril (Liability portion) \$9,415,515; Inland Marine \$37,293; Workers' Compensation \$4,962,826; Private Passenger Automobile Direct Written Premium was reported as Private Passenger Auto No-Fault (personal injury protection) \$82,168; Other Private Passenger Auto Liability \$370,308 and Private Passenger Auto Physical Damage \$335,545; Commercial Automobile Direct Written Premium was reported as Commercial Auto No-Fault (personal injury protection) \$9,582; Other Commercial Auto Liability \$688,460 and Commercial Auto Physical Damage \$197,931.

IV. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed. Underwriting guides were furnished for private passenger automobile, homeowners, dwelling fire and commercial lines, including workers' compensation. 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 findings were made:

1 Violation Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance. The Company's dwelling fire guidelines required supporting business indicating primary homeowners must be with the Hartford at the time of application.

1 Violation Act 205, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. "Unfair Methods of Competition" and "Unfair or Deceptive Practices" in the business of insurance means: Unfairly discriminating by means of: Making or permitting any unfair discrimination between individuals of the same class and essentially the same hazard with regard to underwriting standards and practices

or eligibility requirements by reason of race, religion, nationality or ethnic group, age, sex, family size, occupation, place of residence or marital status. The terms “underwriting standards and practices” or “eligibility rules” do not include the promulgation of rates if made or promulgated in accordance with the appropriate rate regulatory act of this Commonwealth and regulations promulgated by the Commissioner pursuant to such act. The Company’s dwelling fire guidelines states: “Risks should not reflect extraordinary loss exposure attributable to owner(s) occupation or status as a public figure”.

V. UNDERWRITING

A. Private Passenger Automobile

1. 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 4 private passenger automobile files identified as nonrenewals by the Company was selected for review. All 4 files were received and reviewed. No violations were noted.

B. Property

1. Midterm Cancellations

A midterm 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 107 property policies which were cancelled midterm during the experience period, 4 files were selected for review. The property policies consisted of homeowners. All 4 files were received and reviewed. No violations were noted.

C. Commercial Property

1. Midterm Cancellations

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

From the universe of 2,832 commercial property policies cancelled midterm during the experience period, 29 files were selected for review. The commercial property files consisted of commercial package, commercial inland marine, commercial spectrum and tenant occupied dwelling fire. All 29 files were received and reviewed. The violation noted resulted in an error ratio of 3%.

The following finding was made:

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

Grounds for cancellation. Canceling in midterm a policy of insurance covering commercial property and casualty risks is prohibited for any reason other than those enumerated under

this section. The file noted was cancelled for other than permitted reasons.

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.

From the universe of 163 commercial property policies nonrenewed during the experience period, 33 files were selected for review. The commercial property policies consisted of tenant occupied dwelling fire, commercial fire, commercial spectrum and commercial package. All 33 files were received and reviewed. The 2 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)(2) [40 P.S. §3403(a)(2)]

Requires that a nonrenewal notice be forwarded directly to the named insured or insureds at least 60 days in advance of the effective date of the termination. The Company did not provide at least 60 days notice of nonrenewal for the file noted.

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 the 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, Section 113.88

The reason given for nonrenewal 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. The Company did not provide a specific reason for nonrenewal.

3. 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 12,805 commercial property policies renewed during the experience period, 41 files were selected for review. The commercial property policies consisted of tenant occupied dwelling fire, commercial fire, commercial inland marine, commercial spectrum and commercial package. All 41 files were received and reviewed. The 4 violations noted were based on 4 files, resulting in an error ratio of 10%.

The following findings were made:

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

This section provides that notwithstanding any other provision of law, a policy of insurance covering commercial property or 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. This section does not apply to policies written on a retrospective rating plan. The Company did not provide at least 30 days advance notice to the named insured of an increase in renewal premium for the 4 files noted.

D. Commercial Automobile

1. Midterm Cancellations

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

The universe of 8 commercial automobile policies cancelled midterm during the experience period was selected for review. All 8 files were received and reviewed. No violations were noted.

2. 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 2 commercial automobile policies nonrenewed during the experience period was selected for review. Both files were received and reviewed. No violations were noted.

3. 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 26 commercial automobile policies renewed during the experience period, 10 files were selected for review. All 10 files were received and reviewed. The violation noted resulted in an error ratio of 10%.

The following finding was made:

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

This section provides that notwithstanding any other provision of law, a policy of insurance covering commercial property or 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. This section does

not apply to policies written on a retrospective rating plan. The Company did not provide at least 30 days advance notice to the named insured of an increase in renewal premium.

E. Workers' Compensation

1. Midterm Cancellations

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

The purpose of the review was to determine compliance with Insurance Company Law, Section 653 (40 P.S. §813), which prohibits midterm cancellation with exceptions for nonpayment of premium or by request of the insured.

The universe of 18 workers' compensation policies identified as midterm cancellations was selected for review. All 18 files were received and reviewed. No violations were noted.

2. 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 review was conducted to determine compliance with Act 86, Section 3 (40 P.S. §3403), which establishes notice requirements for nonrenewals.

The universe of 1 workers' compensation policy nonrenewed during the experience period was selected for review. The file was received and reviewed. No violations were noted.

3. 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 274 workers' compensation policies which were renewed during the experience period, 10 files were selected for review. All 10 files were received and reviewed. The violation noted resulted in an error ratio of 10%.

The following finding was made:

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

This section provides that notwithstanding any other provision of law, a policy of insurance covering commercial property or 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. This section does not apply to policies written on a retrospective rating plan. The Company did not provide at least 30 days advance notice to the named insured of an increase in renewal premium.

VI. 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 7 consumer complaints received during the experience period and provided all consumer complaint logs requested. All 7 complaints were requested, received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5(a)(11) of the Act requires a Company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint.

No violations were noted.

The following synopsis reflects the nature of the 7 complaints that were reviewed.

2	Cancellation/Nonrenewal	29%
2	Claims	29%
1	Pricing	13%
2	Billing	29%
<hr/>		<hr/>
7		100%

VII. LICENSING

In order to determine compliance by the Company and its agency force with the licensing requirements applicable to Section 641.1(a) [40 P.S. §310.41(a) and Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, the Company was requested to furnish a list of all active producers during the experience period and a listing of all producers terminated during the experience period. Underwriting files were checked to verify proper licensing and appointment.

The following findings were made:

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

(a) Any insurance entity or licensee accepting applications or orders for insurance from any person 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.

Chesapeake Insurance Group, Inc.
Kelly-Murray Insurance Agency, Inc.

*5 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) Delineates the services to be provided; and

(2) Provides 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 as having an appointment. The Company failed to file a notice of appointment and submit appointment fees to the Department.

Gilchrist Insurance Group
Joyce, Jackman & Bell
Pittsburgh Property and Casualty, Inc.
Wentworth-Deangelis, Inc.
Frank Crystal & Co., Inc.

VIII. RECOMMENDATIONS

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

1. The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation and nonrenewal requirements of Act 86, Sections 2 and 3 [40 P.S. §§3402 and 3403], so that the violations noted in the Report do not occur in the future.
2. The Company must review Act 86, Section 1 [40 P.S. §3401], to ensure that violations regarding notification to the insured of an increase in premium do not occur in the future.
3. The Company must ensure all producers are properly licensed and appointed, as required by Section 641.1(a) and Section 671-A [40 P.S. §310.41(a) and 40 P.S. §310.71] of the Insurance Department Act No. 147, prior to accepting any business from any producer.
4. The Company must revise and reissue their underwriting guidelines for use in Pennsylvania to ensure that guidelines do not require supporting coverage.
5. 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 established in Act 205, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)].

IX. COMPANY RESPONSE



August 6, 2008

Kathleen Querfeld
Counsel
Law Department

Sent via Overnight Mail

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

Re.: Exam Warrant Number: 07-M19-060
Hartford Casualty Insurance Company

Dear Mr. Derk:

Hartford Casualty Insurance Company ("Hartford Casualty") has received your July 8, 2008 letter and Report of Examination ("Report"). We appreciate the opportunity to respond to the Examination.

This letter will serve as Hartford Casualty's response to the Report and recommendations contained on page 20. Where appropriate, our response will address exceptions noted in the Report that fall outside specific department recommendations.

- 1. The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation and nonrenewal requirements of Act 86, Sections 2 and 3 [40 P.S. §§3402 and 3403], so that the violations noted in the Report do not occur in the future.**

The Company accepts the Department's Recommendation and has reviewed existing procedures to ensure compliance with 40 P.S. §§ 3402 and 3403. The Company has reinforced the cancellation procedures to ensure that non-owner occupied dwelling fire policies provide sufficient notice and has updated the Oden Terminator system to prominently display the requisite 60 day time frame.

One Hartford Plaza, HO-1-09
Hartford, CT 06115
Telephone 860-547-9605
Facsimile 860-757-1347
kathleen.querfeld@thehartford.com

- 2. The company must review Act 86, Section 1 [40 P.S. §3401], to ensure that violations regarding notification to the insured of an increase in premium do not occur in the future.**

The Company accepts the Department's Recommendation and has reviewed our internal procedures to ensure compliance with 40 P.S. § 3401. These internal procedures continue to be in compliance with Pennsylvania law and field underwriting staff has been reminded of the requirement to provide thirty (30) days advance written notice of an increase in commercial lines premium in Pennsylvania.

- 3. The Company must ensure all producers are properly licensed and appointed, as required by Section 641.1(a) and Section 671-A [40 P.S. §310.41(a) and 40 P.S. §310.71] of the Insurance Department Act No. 147, prior to accepting any business from any producer.**

The Company accepts the Department's Recommendation for the five instances where Company files did not reflect an actual appointment and the two instances where Company records did not accurately reflect the agency trade name for licensure. The Company has made all necessary corrections to our appointment records and is in the process of updating our licensure records. The Company has reviewed our internal procedures to ensure compliance with 40 P.S. §310.71. The Company has recently introduced a process improvement that calls for an annual review to ensure that all producers are properly appointed in the appropriate writing companies.

- 4. The Company must revise and reissue their underwriting guidelines for use in Pennsylvania to ensure that guidelines do not require supporting coverage.**

The Company reiterates its disagreement with the finding. Act 205, Section 5(a)(4) [40 P.S. 1171.4(a)(4)] prohibits "entering into any agreement to commit, or by concerted action committing, any act or boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance." This provision is clearly aimed at preventing anti-trust or similar types of violations in the broader category of unfair competition or restraint of trade. The law prohibits insurers from engaging in efforts to stifle competition, develop monopolies, or artificially maintain prices. This provision does not apply to this guideline because:

1. The guideline has a legitimate purpose, not one tied to unfair competition. Specifically, the guideline that requires the policyholder to have the primary homeowners insurance with the Company to obtain a dwelling / fire coverage on a secondary home is due to the extension of liability coverage under the primary policy to the dwelling / fire policy.

2. There is no "agreement" as required to invoke the statute. This provision calls for the existence of some form of agreement or concerted action between two or more parties that is the basis of the alleged unfair trade or illegal practices.
3. There is no "act or boycott, coercion or intimidation" involved with the application of the underwriting guideline at issue.
5. **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 established in Act 205, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)].**

The Company accepts the Department's recommendation and is revising its Dwelling Fire Underwriting guidelines by removing the reference to occupation in accordance with 40 P.S. § 1171.5(a)(7)(iii).

We appreciate the courtesy extended by your staff throughout the examination process. We trust you will find our response satisfactory and look forward to working with you to conclude this examination. Please do not hesitate to contact me with any questions.

Sincerely,



Kathleen Querfeld