



pennsylvania
INSURANCE DEPARTMENT

September 24, 2010

CERTIFIED MAIL

Liberty Mutual Group
The Ohio Casualty Insurance Company
Attn: Mr. Hector D. Reyes, ARM
Regional Director, Market Conduct Services
175 Berkeley Street
Boston, MA 02116

RE: Examination Warrant Number: 09-M19-025
The Ohio Casualty Insurance Company - Market Conduct Examination

Dear Mr. Reyes:

The Pennsylvania Insurance Department is pleased to enclose the Market Conduct Examination Report of The Ohio Casualty Insurance Company, made as of the close of business on August 4, 2010. This Report is considered public information.

The Department believes that examinations serve a useful purpose in identifying problem areas so that insurers may take appropriate remedial action. The insurance consumer and the industry benefit from this meaningful review of Company practices. Corrective actions taken by The Ohio Casualty Insurance Company, in accordance with the Report's recommendations, will help avoid compliance problems in the future.

In accordance with the terms of the Order, within thirty (30) days, please forward a signed Director's affidavit and a check for Fifteen Thousand Dollars (\$15,000). The check should be made payable to the Commonwealth of Pennsylvania and sent to Sharon Fraser, Administrative Officer, Bureau of Market Conduct, Pennsylvania Insurance Department, 1227 Strawberry Square, Harrisburg, PA 17120.

We wish to take this opportunity to thank you and your staff for the courtesy and cooperation extended during this examination.

Very truly yours,

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

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

**THE OHIO CASUALTY INSURANCE
COMPANY**
Fairfield, Ohio

**AS OF
August 4, 2010**

COMMONWEALTH OF PENNSYLVANIA

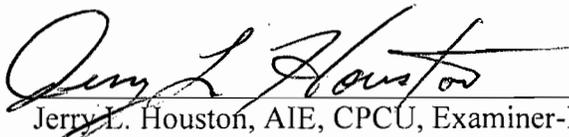


**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: September 24, 2010

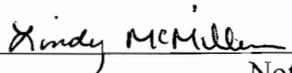
VERIFICATION

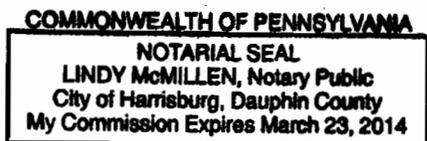
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).


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

Sworn to and Subscribed Before me

This 18th Day of June, 2010


Notary Public



THE OHIO CASUALTY INSURANCE COMPANY

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 30th day of August, 2010, 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.




Robert L. Pratter
Acting Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

| | | |
|---------------------|---|--------------------------------------|
| IN RE: | : | VIOLATIONS: |
| | : | |
| THE OHIO CASUALTY | : | Section 903(a) of the Insurance |
| INSURANCE COMPANY | : | Department Act, Act of May 17, 1921, |
| 9450 Seward Road | : | P.L. 682, No. 284 (40 P.S. §323.3) |
| Fairfield, OH 45014 | : | |
| | : | Title 75, Pennsylvania Consolidated |
| | : | Statutes, Sections 1161(a), (b) and |
| | : | 1716 |
| | : | |
| | : | Title 31, Pennsylvania Code, Section |
| | : | 62.3(e)(7), 69.52(b), 146.6 and |
| | : | 146.7(a)(1) |
| | : | |
| Respondent. | : | Docket No. MC10-08-011 |

CONSENT ORDER

AND NOW, this 24th day of *September*, 2010, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law. Respondent neither admits nor denies the Findings of Fact contained herein.

FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is The Ohio Casualty Insurance Company, and maintains its address at 9450 Seward Road, Fairfield, Ohio 45014.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2008 through June 30, 2009.
- (c) On August 4, 2010, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on September 3, 2010.
- (e) The Examination Report notes violations of the following:

- (i) Section 903(a) of the Insurance Department Act, No. 285 (40 P.S. § 323.3), which requires every company or person subject to examination must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require, in order that its representatives may ascertain whether the company has complied with the laws of the Commonwealth;

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

- (iii) Section 1716 of Title 75, Pa C.S., which states that benefits are overdue if not paid within 30 days after the insurer receives reasonable proof of the amount of benefits. If reasonable proof is not supplied as to all benefits, the portion supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer. Overdue benefits shall bear interest at the rate of 12% per annum from the date the benefits become due. In the event the insurer is found to have acted in an unreasonable manner in refusing to pay the benefits when due, the insurer shall pay, in addition to the benefits

owed and the interest thereon, a reasonable attorney fee based upon actual time expended;

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

- (v) 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;

- (vi) 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; and

- (vii) 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.

CONCLUSIONS OF LAW

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

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of Title 31, Pennsylvania Code, Section 146.6 and 146.7(a)(1) are punishable under Sections 9, 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.9, 1171.10 and 1171.11):
 - (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

- (c) 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 Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.

- (b) Respondent shall 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 Fifteen Thousand Dollars (\$15,000.00) 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. Fraser, Bureau of Market Actions, 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 Insurance Department finds that there has been an intentional breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the

provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been an intentional breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

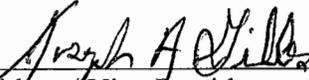
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegate is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law

contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: THE OHIO CASUALTY INSURANCE COMPANY, Respondent


~~President~~ / Vice President
Executive


Asst. Secretary ~~Treasurer~~


RONALD A. GALLAGHER, JR.
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The market conduct examination was conducted at The Ohio Casualty Insurance Company's office located in Fairfield, Ohio, from February 8, 2010, through March 5, 2010. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

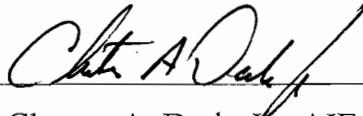
Pennsylvania Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was 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%.

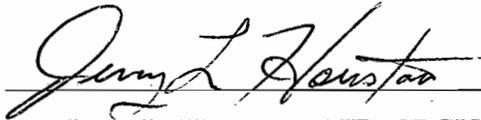
Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel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

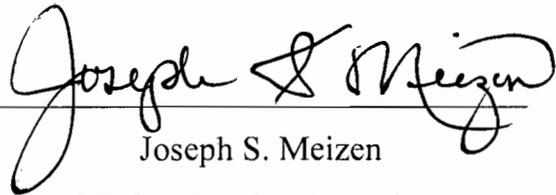
The undersigned participated in this examination and in preparation of this Report.



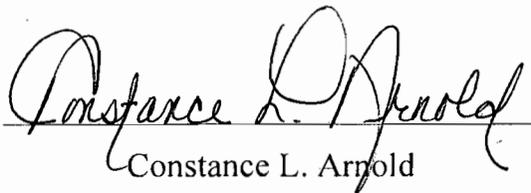
Chester A. Derk, Jr., AIE, HIA
Market Conduct Division Chief



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 The Ohio Casualty Insurance Company, hereinafter referred to as "Company," at their office located in Fairfield, Ohio. 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, 2008, through June 30, 2009, 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 area:

1. Claims

III. COMPANY HISTORY AND LICENSING

The Ohio Casualty Insurance Company was incorporated November 6, 1919, under the laws of Ohio, and began business on March 1, 1920. On November 10, 1960, a wholly-owned fire and casualty subsidiary, The Ohio Insurance Company, sponsored and organized in 1925, was converted to a legal reserve life insurance company under the title The Ohio Life Insurance Company. Two other subsidiaries, West American Insurance Company of Anaheim, California, and Ohio Security Insurance Company, Hamilton, Ohio, were acquired in 1945, and 1962, respectively. The Company acquired complete ownership of the American Fire and Casualty Company, Orlando, Florida, effective August 27, 1969. The Company moved its corporate headquarters from Hamilton, Ohio to Fairfield, Ohio, in 2001.

LICENSING

The Ohio Casualty Insurance Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2010. The Company is licensed in the District of Columbia and all states except California. The Company's 2009 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$25,188,304. Premium volume related to the areas of this review were: Fire \$1,025,055; Homeowners Multiple Peril \$1,278,977; Private Passenger Automobile Direct Written Premium was reported as Private Passenger Auto No-Fault (personal injury protection) \$218,028; Other Private Passenger Auto Liability \$816,777 and Private Passenger Auto Physical Damage \$607,488.

IV. 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
- G. Homeowner Claims
- H. Dwelling Fire Claims

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

A. Automobile Property Damage Claims

From the universe of 100 private passenger automobile property damage claims reported during the experience period, 25 files were selected for

review. All 25 files were received and reviewed. The 6 violations noted were based on 6 files, resulting in an error ratio of 24%.

The following findings were made:

2 Violations Title 31, Pa. Code, Section 146.6

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

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

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. The Company failed to provide a written copy of the denial letter for the 4 claims noted.

B. Automobile Comprehensive Claims

From the universe of 43 private passenger automobile comprehensive claims reported during the experience period, 25 files were selected for review. All 25 files were received and reviewed. The 4 violations noted were based on 3 files, resulting in an error ratio of 12%.

The following findings were made:

2 Violations Title 31, Pa. Code, Section 146.6

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

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

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. The Company failed to provide a copy of the written denial letter for review for the 2 claims noted.

C. Automobile Collision Claims

From the universe of 108 private passenger automobile collision claims reported during the experience period, 25 files were selected for review. All 25 files were received and reviewed. The 6 violations noted were based on 5 files, resulting in an error ratio of 20%.

The following findings were made:

5 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide a timely status letter for the 5 claims noted.

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

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. The Company failed to provide a copy of the written denial letter for review for the claim noted.

D. Automobile Total Loss Claims

The universe of 17 private passenger automobile total loss claims reported during the experience period was selected for review. Of the 17 files selected, 3 files were missing the hard copy which contains all documents necessary for completion of the file review. The 11 violations noted were based on 9 files, resulting in an error ratio of 53%.

The following findings were made:

2 Violations Insurance Department Act, Section 903(a) [40 P.S. §323.3]

Requires every company subject to examination to keep all books, records, accounts, papers, documents and any or all

computer or other recordings relating to its business in such manner and for such time as may be required in order that the Department may readily verify whether the Company has complied with the laws of this Commonwealth. The Company failed to provide necessary documents to determine compliance for the 2 files noted.

2 Violations Title 31, Pa. Code, Section 146.6

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

2 Violations Title 75, Pa. C.S. §1161(a)&(b) – Certificate of Salvage Required.

(a) General rule – Except as provided in Sections 1162 and 1163, a person, including an insurer or self-insurer as defined in Section 1702 (relating to definitions), who owns, possesses or transfers a vehicle located or registered in the Commonwealth which qualifies as a salvage vehicle shall make application to the Department for a certificate of salvage for that vehicle.

(b) Application for certificate of salvage. – An owner who transfers a vehicle to be destroyed or dismantled, salvaged or recycled shall assign the certificate of title to the person to

whom the vehicle is transferred. Except as provided in Section 1163, the transferee shall immediately present the assigned certificate of title to the Department or an authorized agent of the Department with an application for a certificate of salvage upon a form furnished and prescribed by the Department. An insurer as defined in Section 1702 to which title to a vehicle is assigned upon payment to the insured or claimant of the replacement value of a vehicle shall be regarded as a transferee under this subsection. The Company failed to provide the Pennsylvania salvage certificate as required for the 2 files noted.

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

The appraiser is responsible for ensuring that a copy of the total loss evaluation report be sent within 5 working days to the consumer by the appraiser after the appraisal is completed. If a settlement offer is extended before the consumer receives the total loss evaluation report, the consumer shall be advised of the total loss evaluation report's contents and of the consumer's right to be sent a copy within 5 days after its completion. There was no documentation in the 5 files indicating the Company provided a copy of the total loss evaluation to the insured within 5 days after its completion.

E. Automobile First Party Medical Claims

The Company was requested to report all first party medical claims within the experience period. One file was reported as a first party medical claim and 21 files were reported as first party medical claims referred to a peer

review organization. After review, all 22 files were determined to be first party medical claims and none were referred for a peer review. All 22 files were reviewed. The 3 violations noted were based on 2 files, resulting in an error ratio of 9%.

The following findings were 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 Company failed to pay a medical bill within 30 days.

1 Violation Title 75, Pa. C.S. §1716

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

1 Violation Insurance Department Act, Section 903(a) [40 P.S. §323.3]
Requires every company subject to examination to keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its business in such manner and for such time as may be required in order that the Department may readily verify whether the Company has complied with the laws of this Commonwealth. The Company failed to provide necessary documents to determine compliance.

F. Automobile First Party Medical Claims Referred to a PRO

The Company was requested to provide a list of all automobile first party medical claims that were referred to a peer review organization by the Company during the experience period. Twenty-one files were reported, but after review, it was determined that no files were referred for peer review. The Company was also asked to provide a copy of all peer review contracts in place during the experience period. The Company has a contract with an approved peer review organization. No violations were noted.

G. Homeowner Claims

From the universe of 114 homeowner claims reported during the experience period, 25 files were selected for review. All 25 files were received and reviewed. The 5 violations noted were based on 5 files, resulting in an error ratio of 20%.

The following findings were made:

4 Violations Title 31, Pa. Code, Section 146.6

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

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

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. The Company failed to provide a written copy of the denial letter for review.

H. Dwelling Fire Claims

From the universe of 151 dwelling fire claims reported during the experience period, 25 files were selected for review. All 25 files were received and reviewed. The 9 violations noted were based on 9 files, resulting in an error ratio of 36%.

The following findings were made:

9 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days,

and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the 9 claims noted:

V. 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 the denial of claims, as noted in the Report, do not occur in the future.
2. The Company must review Title 75, Pa. C.S. §1161(a)&(b) with its claim staff to ensure that Pennsylvania salvage certificates are obtained and are retained with the claim file.
3. 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.
4. The Company must review the first party medical claims, which have not been paid within 30 days. Those claims that have not been paid within 30 days shall bear interest at the rate of 12% annum from the date the benefits become due as required by Title 75, Pa. C.S. §1716. The interest amount must be paid to the claimant and proof of such payment must be provided to the Insurance Department within 30 days of the Report issue date.

5. The Company must reinforce its internal claim controls to ensure that all records and documents are maintained in accordance with Insurance Department Act, Section 903(a) [40 P.S. §323.3], so that violations noted in the Report do not occur in the future.

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

VI. COMPANY RESPONSE



Hector Reyes, ARM
Regional Director, Market Conduct Services
Liberty Mutual Group
175 Berkeley Street
P.O. Box 140
Boston, MA 02116-0140
Telephone: (617) 357-9500

September 3, 2010

VIA EMAIL and UPS

Mr. Chester A. Derk, Jr., AIE, HIA
Market Conduct Division Chief
Bureau of Market Conduct
Pennsylvania Insurance Department
1227 Strawberry Square
Harrisburg, PA 17120

Re: **The Ohio Casualty Insurance Company**
Examination Warrant Number 09-M19-025

Dear Mr. Derk:

The Company reviewed the Report of Examination of The Ohio Casualty Insurance (Company) issued by the Pennsylvania Insurance Department that covers the period of July 1, 2008 through June 30, 2009, as of the close of business on August 4, 2010. The Company thanks the Market Conduct Division for the observations and the recommendations that are contained therein.

The Company strives to comply with the Pennsylvania statutes and Department regulations; it believes that market conduct examinations do serve the consumers of the Commonwealth and the Company as an effective tool to help avoid compliance issues. The Report, in addition to individual findings, contains Recommendations in Section V. To address those recommendations, the Company is enclosing its response to each recommendation. The Company respectfully submits that any finding of a violation of Pennsylvania law by the Department was not intentional and that it will take the corrective actions detailed in the Company's responses.

I want to thank you and the entire staff of the Bureau for the cooperation extended to everyone in the Company that is associated with this examination. I look forward to working with you to reach a mutually agreeable resolution to the Report. If you have any question in connection with the Company's response or require additional information, please do not hesitate to call me.

Sincerely,

Hector D. Reyes, ARM
Regional Director, Market Conduct Services
Office of Corporate Compliance

Attachment

Helping people live safer, more secure lives.

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 denial of claims, as noted in the Report, do not occur in the future.

Company Response: The Company's practice is to comply with Title 75, PA Code, Chapter 146. However, a reminder bulletin and a copy of the Chapter were sent to its claim staff that handles PA. Additionally, supervisory personnel reviewed the Chapter with the adjusting staff on or before September 1, 2010.

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

Company Response: The Company established new protocol with the salvage vendor to ensure that a Pennsylvania salvage certificate is obtained on all Pennsylvania titled vehicles deemed a total loss.

3. 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.

Company Response: By September 15, 2010, the Company will review Title 31, Pa. Code, Section 69.52 (b) with its claim staff that handles PA to ensure that first party medical bill is paid within 30 days.

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

Company Response: The Company paid the required interest on the file identified in the examination in the total amount of \$6.30. Under separate cover the Company will submit proof of payment to the Insurance Department.

5. The Company must reinforce its internal claim controls to ensure that all records and documents are maintained in accordance with Insurance Department Act, Section 903(a)[40 P.S. §323.3], so that violations noted in the Report do not occur in the future.

Company Response: The Company's practice is to retain all claim records and documents in accordance with the Insurance Department Act. The Company reinforced the record retention requirements with its entire claims staff.

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

Company Response: The Company's general practice is to comply with Title 31, Pa Code, Sections 62.3(e)(7), it reinforced to its claims adjusters the requirement to send the total loss evaluation appraisal to the claimant within 5 working days from the completion of the appraisal.