

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

PHILADELPHIA CONTRIBUTIONSHIP INSURANCE COMPANY
Philadelphia, Pennsylvania

**AS OF
April 29, 2008**

COMMONWEALTH OF PENNSYLVANIA

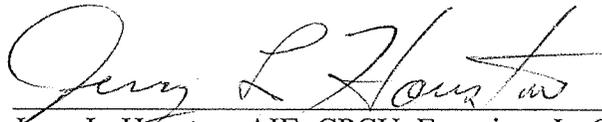


**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: June 26, 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).



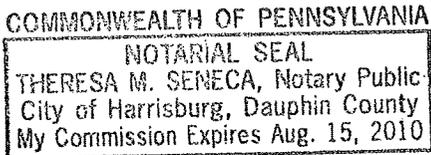
Jerry L. Houston, AIE, CPCU, Examiner-In-Charge

Sworn to and Subscribed Before me

This *14* Day of *April*, 2008



Theresa M. Seneca
Notary Public



THE PHILADELPHIA CONTRIBUTIONSHIP INSURANCE COMPANY

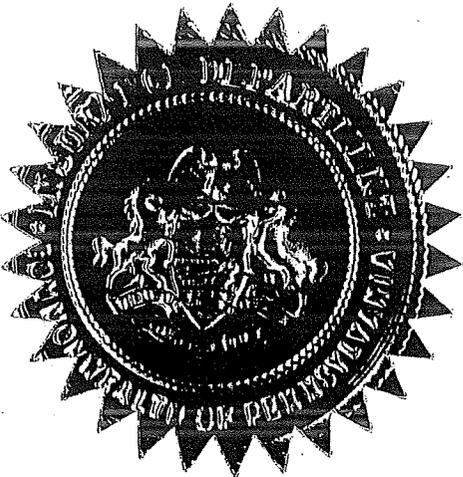
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 6th day of July, 2007, 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.





Joel S. Ario
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

| | | |
|----------------------------|---|--|
| IN RE: | : | VIOLATIONS: |
| | : | |
| PHILADELPHIA CONTRIBUTION- | : | Sections 641.1-A and 671-A of |
| SHIP INSURANCE COMPANY | : | Act 147 of 2002 (40 P.S. §§ 310.41 |
| 212 South Fourth Street | : | and 310.71) |
| Philadelphia, PA 19106 | : | |
| | : | Sections 3(a)(3), 3(a)(5) and 4(a) of |
| | : | the Act of July 3, 1986, P.L. 396, |
| | : | No. 86 (40 P.S. §§ 3403 and 3404) |
| | : | |
| | : | Sections 4(a) and 4(h) of the Act of |
| | : | June 11, 1947, P.L. 538, No. 246 |
| | : | (40 P.S. §§ 1184) |
| | : | |
| | : | Sections 5(a)(4), 5(a)(9) and 5(a)(11) |
| | : | of the Unfair Insurance Practices Act, |
| | : | Act of July 22, 1974, P.L. 589, No. |
| | : | 205 (40 P.S. §§ 1171.5) |
| | : | |
| | : | Title 31, Pennsylvania Code, Sections |
| | : | 113.88, 146.6 and 146.7(a)(1) |
| | : | |
| | : | Title 18, Pennsylvania Consolidated |
| | : | Statutes, Section 4117(k)(1) |
| | : | |
| Respondent. | : | Docket No. MC08-05-009 |

CONSENT ORDER

AND NOW, this 26th day of June, 2008, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

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

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra. or other applicable law.

FINDINGS OF FACT

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

- (a) Respondent is Philadelphia Contributionship Insurance Company, and maintains its address at 212 South Fourth Street, Philadelphia, Pennsylvania 19106.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from July 1, 2006 through June 30, 2007.
- (c) On April 29, 2008, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on May 28, 2008.

(e) The Examination Report notes violations of the following:

(i) Section 641.1-A of Act 147 of 2002 prohibits any entity or the appointed agent of any entity from transacting the business of insurance through anyone acting without an insurance producer license (40 P.S. § 310.41a);

(ii) Section 671-A of Act 147 of 2002 (40 P.S. § 310.71), which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;

(iii) Section 3(a)(3) of Act 86 (40 P.S. § 3403), which requires that a cancellation notice must be forwarded to the named insured or insureds at least 60 days in advance of the effective date of termination;

(iv) Section 3(a)(5) of Act 86 (40 P.S. § 3403), which requires that a midterm cancellation or nonrenewal notice shall state the specific reasons for the cancellation or nonrenewal. The reasons shall identify the condition, factor or loss experience which caused the midterm cancellation or nonrenewal. The notice shall provide sufficient information or data for the insured to correct the deficiency;

- (v) Section 4(a) of Act 86 (40 P.S. § 3404), which requires that unearned premium must be returned to the insured not later than 10 business days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insurer;

- (vi) Sections 4(a) and 4(h) of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in this Commonwealth and prohibits an insurer from making or issuing a contract or policy with rates other than those approved;

- (vii) Section 5(a)(4) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.5(a)(4)), which prohibits unfair methods of competition and unfair or deceptive acts or practices;

- (viii) Section 5(a)(9) of Act 205 (40 P.S. § 1171.5), which prohibits cancellation of any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has

been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued;

(ix) Section 5(a)(11) of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171.5), which requires a complete record of all complaints received during the preceding four years;

(x) Title 31, Pennsylvania Code, Section 113.88, which states 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;

(xi) 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;

(xii) 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

- (xiii) Title 18, Pennsylvania Consolidated Statutes, Section 4117(k)(1), which requires all applications for insurance and all claim forms shall contain or have attached thereto the following notice: “Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties”.

CONCLUSIONS OF LAW

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

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

(b) Respondent's violations of Sections 641.1-A and 671-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 Act 86, Sections 3 and 4 (40 P.S. §§ 3403 and 3404) 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 4(a) and (h) of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184) are punishable under Section 16 of the Casualty and Surety Rate Regulatory Act:

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

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

(e) Respondent's violations of Sections 5(a)(4), 5(a)(9) and 5(a)(11) of the Unfair Insurance Practices Act, No. 205 (40 P.S. §§ 1171.5) are punishable by the following, under Section 9 of the Unfair Insurance Practices Act (40 P.S. § 1171.9):

- (i) cease and desist from engaging in the prohibited activity;
- (ii) suspension or revocation of the license(s) of Respondent.

(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).

- (h) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.6 and 147(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), as stated above.

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 Ten Thousand Dollars (\$10,000.00) 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 Ginny Marquart, 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 Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate

action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

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

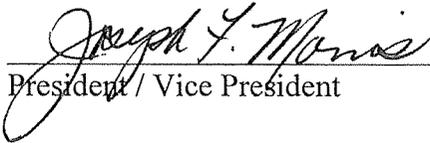
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

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

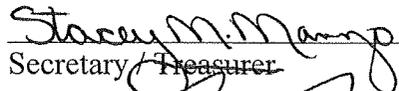
11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law

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

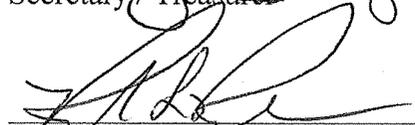
BY: PHILADELPHIA CONTRIBUTIONSHIP
INSURANCE COMPANY, Respondent



President / Vice President



Secretary / Treasurer



RANDOLPH L. ROHRBAUGH
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The market conduct examination was conducted at The Philadelphia Contributionship Insurance Company's office located in Philadelphia, Pennsylvania, from January 2, 2008, through February 1, 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

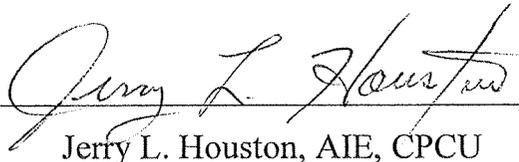
the various types of violations identified during the examination and review written summaries provided on the violations found.

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

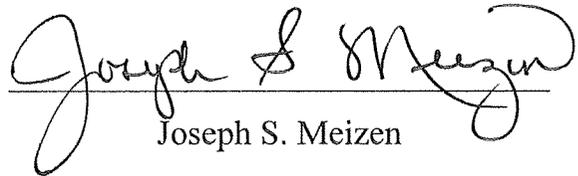
The undersigned participated in this examination and in preparation of this Report.



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



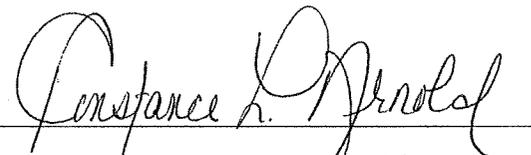
Jerry L. Houston, AIE, CPCU
Market Conduct Examiner



Joseph S. Meizen
Market Conduct Examiner



M. Katherine Sutton
Market Conduct Examiner



Constance L. Arnold
Market Conduct Examiner

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on The Philadelphia Contributionship Insurance Company, hereinafter referred to as “Company,” at their office located in Philadelphia, Pennsylvania. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of July 1, 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. Property
 - 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 Property
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, declinations, rescissions and renewals.
3. Claims
4. Forms
5. Advertising

6. Complaints

7. Licensing

III. COMPANY HISTORY AND LICENSING

The Philadelphia Contributionship Insurance Company, a chartered subsidiary of The Philadelphia Contributionship, was incorporated on January 6, 1960, under the laws of Pennsylvania and began business July 20, 1960. The Philadelphia Contributionship is America's oldest fire insurance company, dating back to 1752.

LICENSING

The Philadelphia Contributionship Insurance Company's Certificate of Authority to write business in the Commonwealth was issued on March 24, 1960. The Company is licensed in New Jersey and Pennsylvania. The Company's 2006 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$40,602,101. Premium volume related to the areas of this review were: Fire \$4,852,316 and Homeowners Multiple Peril \$28,713,665.

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. Agency bulletins and underwriting guides were furnished for homeowner and dwelling fire. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

No violations were noted.

V. UNDERWRITING

A. Property

1. 60-Day Cancellations

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

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

From the universe of 677 property policies which were cancelled within the first 60 days of new business, 47 files were selected for review. The policies consisted of homeowner and owner occupied dwelling fire. All 47 files were received and reviewed. No violations were noted.

2. 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 3,690 property policies which were cancelled midterm during the experience period, 77 files were selected for review. The property policies consisted of homeowners and owner occupied dwelling fire. All 77 files were received and reviewed. The 7 violations noted were based on 7 files, resulting in an error ratio of 9%.

The following findings were made:

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

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company cancelled the 7 files noted for an improper reason.

3. Nonrenewals

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

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

The universe of 23 property policies which were nonrenewed during the experience period was selected for review. The property policies consisted of homeowner and owner occupied dwelling fire. All 23 files were received and reviewed. The 6 violations noted were based on 6 files, resulting in an error ratio of 26%.

The following findings were made:

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

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company nonrenewed

the 3 files noted for an improper reason.

3 Violations 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 3 files noted contained a nonrenewal notice which required supporting business.

4. Declinations

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

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

The universe of 31 personal property applications declined during the experience period was selected for review. The files consisted of homeowner and owner occupied dwelling fire. All 31 files were received and reviewed. The violation noted resulted in an error ratio of 3%.

The following finding was made:

1 Violation Act 205, Section 5(a)(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 declined the coverage because they do not write secondary business without the primary.

5. Rescissions

A rescission is any policy, which was void *ab initio*.

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

The universe of 5 property policies identified as rescissions was selected for review. All 5 files were received. The property policies were all New Jersey risks and were not reviewed.

B. Commercial Property

1. 60-Day Cancellations

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

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

From the universe of 643 tenant occupied dwelling fire policies cancelled in the first 60 days of new business, 30 files were selected for review. All 30 files were received and reviewed. No violations were noted.

2. 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 1,757 tenant occupied dwelling fire policies cancelled midterm during the experience period, 50 files were selected for review. All 50 files were received and reviewed. The 55 violations noted were based on 50 files, resulting in an error ratio of 100%.

The following findings were made:

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

Requires that a cancellation notice must be forwarded to the named insured or insureds at least 60 days in advance of the effective date of termination. The Company did not provide at least 60 days notice of cancellation for the 50 files noted.

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

Requires that unearned premium be returned to the insured

not later than 10 business days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insurer. The Company did not return the unearned premium to the insured within 10 business days after the effective date of termination for the 5 files 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 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 9 tenant occupied dwelling fire policies nonrenewed during the experience period was selected for review. All 9 files were received and reviewed. No violations were noted.

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 13,846 tenant occupied dwelling fire policies renewed during the experience period, 25 files were selected for review. All 25 files 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.

From the universe of 50 commercial property declinations reported by the Company during the experience period, 20 files were selected for review. All 20 files were received and reviewed. No violations were noted.

6. Rescissions

A rescission is any policy, which was void *ab initio*.

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

The universe of 7 commercial property files identified as rescissions by the Company during the experience period was selected for review. All 7 files were New Jersey risks and were not reviewed.

VI. RATING

A. Homeowners

1. New Business

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

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

Homeowner Rating – New Business Without Surcharges

From the universe of 3,402 homeowner policies written as new business without surcharges during the experience period, 25 files were selected for review. All 25 files were received and reviewed. No violations were noted.

The following concern was noted:

Concern: Homeowner policies are eligible for a rate credit from 2% to 10% for various protective devices with a maximum of 20%. The Company's application does not ask the question regarding premises alarm systems and protective devices. Inspections usually involve external viewing and would not detect internal alarm systems. The concern is some policyholders might be eligible for a rate credit and not receiving it because

the question is not asked and the inspection is not necessarily detecting protective devices.

Homeowner Rating – New Business With Surcharges

The universe of 3 homeowner policies written as new business with surcharges during the experience period was selected for review. The Company reported this number in error. No files were reviewed.

2. Renewals

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

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

Homeowner Rating – Renewals Without Surcharges

From the universe of 32,820 homeowner policies renewed without surcharges during the experience period, 25 files were selected for review. All 25 files were received and reviewed. No violations were noted.

The following concern was noted:

Concern: Homeowner policies are eligible for a rate credit from 2% to 10% for various protective devices with a maximum of 20%. The

Company's application does not ask the question regarding premises alarm systems and protective devices. Inspections usually involve external viewing and would not detect internal alarm systems. The concern is some policyholders might be eligible for a rate credit and not receiving it because the question is not asked and the inspection is not necessarily detecting protective devices.

Homeowner Rating – Renewals With Surcharges

From the universe of 560 homeowner policies renewed with surcharges during the experience period, 50 files were selected for review. All 50 files were received and reviewed. No violations were noted.

B. Dwelling Fire

1. New Business

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

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

Dwelling Fire Rating – New Business Without Surcharges

From the universe of 629 dwelling fire policies written as new business without surcharges, 25 files were selected for review. All 25 files were

received and reviewed. The 14 violations noted were based on 14 files, resulting in an error ratio of 56%.

The following findings were made:

*14 Violations Act 246, The Casualty and Surety Rate Regulatory Act,
Section 4 (40 P.S. §1184)*

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. The Company did not rate the 14 files noted in accordance with their filed and approved rating plan which resulted in overcharges of \$23.

2. Renewals

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

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

Dwelling Fire Rating – Renewals Without Surcharges

From the universe of 1,779 dwelling fire policies renewed without surcharges, 25 files were selected for review. All 25 files were received and reviewed. No violations were noted.

Dwelling Fire Rating – Renewals With Surcharges

The universe of 4 owner occupied dwelling fire policies renewed with surcharges was selected, received and reviewed. No violations were noted.

VII. CLAIMS

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

The Claims review consisted of the following areas of review:

- A. Homeowner Claims
- B. Owner Occupied Dwelling Fire Claims
- C. Tenant Occupied Dwelling Fire Claims

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

A. Homeowner Claims

From the universe of 2,714 homeowner claims reported during the experience period, 50 files were selected for review. All 50 files were received and reviewed. The 15 violations noted were based on 14 files, resulting in an error ratio of 28%.

The following findings were made:

7 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the 7 claims noted.

8 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 did not reference specific policy provisions, conditions or exclusions in the denial letter for 5 claims noted. The Company failed to accept or deny the claim within 15 days of receipt of the proof of loss in 2 claims noted. The remaining claim did not have a copy of the denial letter in the claim file.

B. Owner Occupied Dwelling Fire Claims

From the universe of 78 owner occupied dwelling fire claims reported during the experience period, 20 files were selected for review. All 20 files were received and reviewed. The 2 violations noted were based on 2 files, resulting in an error ratio of 10%.

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 Company did not provide a timely status letter for the claim 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 did not reference specific policy provisions, conditions or exclusions in the denial letter.

C. Tenant Occupied Dwelling Fire Claims

From the universe of 468 tenant occupied dwelling fire 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 did not reference specific policy provisions, conditions or exclusions in the denial letter for the 4 claims noted.

VIII. FORMS

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

The following finding was made:

1 Violation Act 165 of 1994 [18 Pa. C.S. §4117(k)(1)]

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties. The Company did not provide the fraud warning on a loss questionnaire for a homeowner claim.

The following concern was noted:

Concern: The applications used by the Company have a field for the producer's name, but if that producer is a corporate entity, the name of the individual producer within that entity is not submitted. Therefore, it is a concern that individual producers within a corporate entity who are not appointed by the Company could submit business to the Company. It is recommended that the individual producer's printed name and signature be added to the applications.

IX. ADVERTISING

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

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

The Company does not use advertising materials but does have an internet site which was reviewed. No violations were noted.

X. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the preceding four years. The Company identified 45 consumer complaints received during the experience period and provided all consumer complaint logs requested. All 45 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.

The following findings were made:

6 Violations Act 205, Section 5(a)(11) [40 P.S. §1171.5(a)(11)]

Requires an insurer to maintain a complete record of all the complaints, which it has 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 time it took to process each complaint. The Company failed to provide complete complaint registers. The registers for 2002, 2003, 2004 and 2005 did not indicate the classification by line of insurance, the disposition of the complaints and the time it took to process each complaint. The Company also had two (2) incomplete complaint files.

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 failed to provide a specific reason for nonrenewal for the file noted.

The following synopsis reflects the nature of the 45 complaints that were reviewed.

| | | | |
|---|----------|-------------------------|------------|
| • | 37 | Cancellation/Nonrenewal | 82% |
| • | 8 | Claims | 18% |
| • | <hr/> 45 | | <hr/> 100% |

XI. 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:

*1 Violation 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 producer was found to be writing and/or soliciting policies but was not found in Insurance Department records as holding a Pennsylvania producer license.

All In One

30 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.

Butrus & Whalon, Inc.
Allman & Company
Capozzi Insurance (Barbara A. Capozzi)
H D Compton Insurance Agency
Richard M. Coran, Inc.
Couch Braunsford Insurance Group
Timothy A. Dopson
Freedom Insurance Group, Inc.
Brian H. Grant
Griffin & Griffin Financial Services, Inc.
Griffith Insurance, LLP
Harvey Insurance Group, LLC
Insurance Cooperative, LLC
Insurance Solutions Concepts, Inc.
Integrity Insurance Agency
KEH Insurance Agency
Leonard Insurance Group, Inc.
Liberty Insurance Brokers, Inc.
Main Street Business Center, LLC
Morstan General Agency of Pennsylvania, Inc.
National Ins. Agency, Inc.
Premier Financial Group, Inc.
Provantage Insurance and Financial Services, Inc.
Pye, Karr, Ambler & Company
Stephen Steward, Sr.
Toner Organization of NA, Ltd.
Jeffrey J. Toner
Total Risk Management, Inc.
Yoos Agency, Inc.
Alexis-Hunter Group, Inc.

XII. RECOMMENDATIONS

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

1. The Company must review Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)] to ensure that the violation regarding the requirement for cancellation and nonrenewal notices, as noted in the Report, does not occur in the future.
2. The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation and nonrenewal requirements of Act 86, Sections 3 and 4 [40 P.S. §§3403 and 3404], so that the violations noted in the Report do not occur in the future.
3. The Company must review Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)] to ensure that the violations relative to supporting coverage noted in the Report do not occur in the future.
4. The Company must review Act 246, Section 4(a) and (h) [40 P.S. §1184], and take appropriate measures to ensure the dwelling fire rating violations listed in the report do not occur in the future.
5. The premium overcharges noted in the rating section of this report must be refunded to the insured and proof of such refunds must be provided to the Insurance Department within 30 days of the report issue date.

6. 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, acceptance and denials, as noted in the Report, do not occur in the future.
7. 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.
8. The Company must review Act 205, Section 5(a)(11) [40 P.S. §1171.5(a)(11)], to ensure that the violations relative to complaint records noted in the Report do not occur in the future.
9. The Company must ensure that all claim forms contain the required fraud warning notice.

XIII. COMPANY RESPONSE



THE PHILADELPHIA CONTRIBUTIONSHIP
INSURANCE COMPANY

A CONTRIBUTIONSHIP COMPANY

JOSEPH F. MORRIS
President and Chief Executive Officer
(215) 627-1752 ext. 1230
jmorris@contributionship.com

May 27, 2008

Sent via Overnight Mail

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

RE: **Examination Warrant Number: 07-M30-042**
The Philadelphia Contributionship Insurance Company

Dear Mr. Derk:

We are in receipt of The Philadelphia Contributionship Insurance Company's ("PCIC") Report of Exam sent with your cover letter dated April 29, 2008 covering the examination period July 1, 2006 through June 30, 2007.

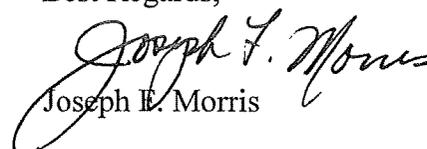
Enclosed please find our response to the Department's Recommendations which begin on page 32 of the Report. We take the recommendations seriously and view them as opportunities to make improvements in our compliance processes. As you'll see from our responses, we have taken the necessary steps to ensure that the violations noted do not recur in the future.

We'd like to take this opportunity to thank Mr. Houston, Ms. Arnold and their associates for their courtesy, efficiency and professionalism in conducting this review.

As the nation's oldest successful insurance company, we're proud to continue to serve the consumers of Pennsylvania.

If you have any questions or would like to discuss any of our responses, please don't hesitate to contact me.

Best Regards,


Joseph F. Morris

JFM:sm
Enclosures

XIII. COMPANY RESPONSE

Recommendation #1

The Company must review Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)] to ensure that the violation regarding the requirement for cancellation and nonrenewal notices, as noted in the Report, does not occur in the future.

Company Response

The three violations cited for improper reasons for nonrenewing a policy were underwriter error. We've clarified the underwriting guidelines and instructed the underwriters on the proper non-renewal practice.

There were seven violations for improper cancellation because they were not instituted within the appropriate 60 day timelines. For all applicable cancellations, we have amended our automated policy issuance system to prevent these cancellations beyond 58 days from the effective date.

Recommendation #2

The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation and nonrenewal requirements of Act 86, Sections 3 and 4 [40 P.S. §§3403 and 3404], so that the violations noted in the Report do not occur in the future.

Company Response

The Company was cited for 50 violations because we didn't provide at least 60 days notice of cancellation. We are amending our automated system to only allow for 60 day notices of cancellation for the reasons permitted under Pennsylvania law and it is currently in the testing mode. We anticipate having the program fully functional within the next two weeks.

The five violations cited for not returning premium within 10 business days upon notice of cancellation by the Company. We have reviewed our internal controls and put additional controls in place to ensure we are in compliance with the statutes going forward.

Recommendation #3

The Company must review Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)] to ensure that the violations relative to supporting coverage noted in the Report do not occur in the future.

Company Response

The Company was cited for four violations for declining coverage or nonrenewing policies that didn't have supporting business. We amended our underwriting guidelines and put controls in place to ensure that practice does not continue.

Recommendation #4

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

Company Response

The rating overcharges were the result of a computer program error. The Company has revised its rating algorithms to ensure that the rating violations cited in the report do not recur.

Recommendation #5

The premium overcharges noted in the rating section of this report must be refunded to the insured and proof of such refunds must be provided to the Insurance Department within 30 days of the report issue date.

Company Response

The 14 violations cited involved surcharges of \$1.00-\$4.00 per policy. As soon as this was brought to the Company's attention, we immediately distributed refund checks to the 14 policyholders affected on March 6, 2008 and provided proof of payment to the Department of Insurance with our Response to the Exit Summary on March 7, 2008.

Recommendation #6

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, acceptance and denials, as noted in the Report, do not occur in the future.

Company Response

The Company was cited for 18 violations for failing to send the Claimant the appropriate notice or status letter within the prescribed time periods. We put manual controls in place to ensure all required letters to claimants are sent within the applicable timeframes. Also, we are developing an automated control within our automated claim system.

Additionally, the Company was cited for 5 violations for failing to reference specific policy provisions, conditions or exclusions. While we did clearly indicate that the denial occurred because the loss was not a named peril exclusion, we agree that our exclusion could be more comprehensive. We have put revised practices in place to ensure that all coverage denials comply with the statutes.

Recommendation #7

The Company must ensure all producers are properly license 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.

Company Response

The Company has reviewed and amended its agency appointment procedures to ensure that agents aren't given authority to submit new business to the Company until it has been confirmed

that they are licensed and have been properly appointed with the Department of Insurance by the Company. The Company has since appointed most of the agents/agencies which were in violation and, of those that we are unable to appoint because of the use of trade names, etc., we are investigating these matters to determine who the appropriately appointed party(ies) should be. Upon receipt of the proper documentation, we will immediately appoint them to ensure compliance with the statutes.

Recommendation #8

The Company must review Act 205, Section 5(a)(11) [40 P.S. §1171.5(a)(11)], to ensure that all violations relative to complaint records noted in the Report do not occur in the future.

Company Response

Prior to 2006, the Company's Consumer Complaint Registers did not contain the detailed information required by the above-referenced statute, however, in 2006, the Register was amended to capture this information going forward. Two violations involved incomplete files. We have amended our complaint handling procedures to eliminate this problem in the future. One violation was cited because the Company response did not provide a specific reason for nonrenewal. This was an oversight on the part of the Respondent and is not the standard approach to complaint responses. The Department's findings have been addressed with the appropriate personnel.

Recommendation #9

The Company must ensure that all claim forms contain the required fraud warning notice.

Company Response

The Fraud Warning Notice was not included on a Loss Questionnaire in one of the claims files reviewed during the course of this Examination. This was an isolated incident and the matter has been addressed. The correct notice is programmed systematically to appear on all claim forms.