

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

ROCKINGHAM CASUALTY COMPANY
Harrisonburg, Virginia

**AS OF
August 9, 2005**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: September 20, 2005

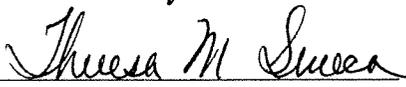
VERIFICATION

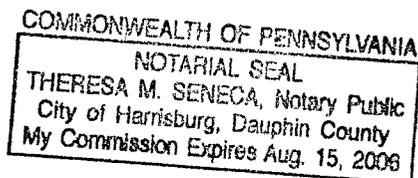
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).


M. Katherine Sutton, Examiner-In-Charge

Sworn to and Subscribed Before me

This *22* Day of *July*, 2005


Notary Public



ROCKINGHAM CASUALTY COMPANY

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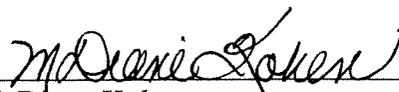
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 29 day of April, 2002, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Randolph L. Rohrbaugh, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.





M. Diane Koken
Insurance Commissioner

CONSENT ORDER

AND NOW, this 20th day of *September*, 2005, this Order is hereby issued by the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

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

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

FINDINGS OF FACT

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

- (a) Respondent is Rockingham Casualty Company, and maintains its address at 633 East Market Street, Harrisonburg, Virginia 22801.

- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2003 through June 30, 2004.
- (c) On August 9, 2005, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on September 6, 2005.
- (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 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;

- (iii) Sections 1705(a)(1) & (4) of Act 1990-6, Title 75, Pa.C.S. § 1705, which requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy may not be issued unless the applicant has been provided an opportunity to elect a tort option;

- (iv) Section 1734 of Act 1990-6, Title 75, Pa.C.S. § 1734, which allows a named insured to request in writing the issuance of coverages under Section 1731 in amount equal to or less than the limits of liability for bodily injury;

- (v) Section 1791.1(a) of Act 1990-6, Title 75, Pa.C.S. § 1791, which requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: “The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law Are provided only at your request as enhancements to basic coverages.” The insurer shall provide the itemized invoice to the insured in conjunction

with the declaration of coverage limits and premiums for the insured's existing coverages;

(vi) Section 1791.1(b) of Act 1990-6, Title 75, Pa.C.S. § 1791, which requires an insurer to provide an insured with a notice of the availability of two alternatives of full tort insurance and limited tort insurance;

(vii) Section 1793(b)(1)(2) of Act 1990-6, Title 75, Pa. C.S. § 1793, which requires the insurer to provide to the insured a surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and shall deliver the plan to each insured at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage;

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

- (ix) Section 3(a)(6) of Act 86 (40 P.S. § 3403), which requires that a cancellation notice shall state that at the insured's request, the insurer shall provide loss information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less;

- (x) Section 2003(b) of Act 68 of 1998 (40 P.S. § 991.2003), which states that an insurer may not cancel or refuse to renew a policy of automobile insurance on the basis of one accident within the 36 month period prior to the upcoming anniversary date of the policy;

- (xi) Section 2003(d) of Act 68 of 1998 (40 P.S. § 991.2003), which states that an insurer may not cancel or refuse to renew existing policies written through the terminated agent without offering each such insured coverage on a direct basis or offering to refer the insured to one or more new agents in the event the terminated agent could not find a suitable insurer acceptable to the policyholder for such business;

- (xii) Section 2003(e) of Act 68 of 1998 (40 P.S. § 991.2003), which states that an insurer may not cancel or refuse to renew a policy of automobile insurance for two or fewer moving violations in any jurisdiction or jurisdictions during a 24 month period when the operator's record indicates that the named insured bears five points or fewer;

(xiii) Section 2004 of Act 68 of 1998 (40 P.S. § 991.2004), which requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer;

(xiv) Section 2006(2) of Act 68 of 1998 (40 P.S. § 991.2006), which requires an insurer to deliver or mail to the named insured a nonrenewal notice and state the date, not less than 60 days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for nonpayment of premium, the effective date may be 15 days from the date of mailing or delivery;

(xv) Section 2006(3) of Act 68 of 1998 (40 P.S. § 991.2006), which requires an insurer to deliver or mail to the named insured a nonrenewal notice and state the specific reason or reasons of the insurer for cancellation;

(xvi) Section 2006(6) of Act 68 of 1998 (40 P.S. § 991.2006), which requires that a nonrenewal notice advise the insured that he must obtain

compulsory automobile insurance coverage if he operates or registers a motor vehicle in this Commonwealth and that the insurer is notifying the Department of Transportation that the insurance is being cancelled and the insured must notify the Department of Transportation that he has replaced coverage;

(xvii) Section 2008(b) of Act 68 of 1998 (40 P.S. § 991.2008), which requires any applicant for a policy who is refused such policy by an insurer shall be given a written notice of the refusal to write by the insurer. The notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant;

(xviii) Section 5(a)(1)(i) of the Unfair Insurance Practices Act (40 P.S. § 1171.5), which prohibits misrepresenting the benefits, advantages, conditions or terms of any insurance policy;

(xix) Section 5(a)(4) of Act 205 (40 P.S. § 1171.5), which prohibits entering into any agreement to commit, or by a 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;

(xx) Section 5(a)(9) of Act 205 (40 P.S. § 1171.5), which defines an unfair act or practice as: (9) cancelling any policy of insurance covering owner-occupied

private residential properties or personal property of individuals that has been in force for 60 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 whether such premium is payable directly to the company or its agent or indirectly under any premium finance plan or extension of credit; or for any other reasons approved by the Commissioner pursuant to rules and regulations promulgated by the Commissioner. No cancellation or refusal to renew by any person shall be effective unless a written notice of the cancellation or refusal to renew is received by the insured whether at the address shown in the policy or at a forwarding address;

- (xxi) Section 5(a)(9)(ii) of Act 205 (40 P.S. §§ 1171.5), which requires that a cancellation notice state the date, not less than 30 days after the date of delivery or mailing on which such cancellation or refusal to renew shall become effective;

- (xxii) Title 31, Pennsylvania Code, Section 62.3(e)(1), which requires the replacement value of a motor vehicle be calculated by use of the Guide Source Method, the Actual Cost Method or the Dealer Quotation Method;
- (xxiii) Title 31, Pennsylvania Code, Section 62.3(e)(4), which requires that applicable sales tax on the replacement cost of a motor vehicle shall be included as part of the replacement value;
- (xxiv) Title 31, Pennsylvania Code, Section 146.5(a), requires every insurer, upon receiving notification of a claim, shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time;
- (xxv) Title 31, Pennsylvania Code, Section 146.5(d), requires an insurer, upon receiving notification of a claim, shall provide within ten working days necessary claim forms, instructions and reasonable assistance so that first-party claimants can comply with policy conditions and reasonable requirements of the insurer;
- (xxvi) 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

(xxvii) 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

(xxviii) Sections 1161(a) and (b) of Title 75, Pa.C.S. § 1161, which requires (a) people or insurers who own, possess or transfer vehicles located or registered in the Commonwealth which qualifies as a salvage vehicle, to make application to the Department for a certificate of salvage for that vehicle; and (b) 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. 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 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;

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

CONCLUSIONS OF LAW

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

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of Section 641.1-A of Act 147 of 2002 are punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):

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

(c) Respondent's violations of Section 3(a)(6) of Act 86 (40 P.S. § 3406), are punishable under Section 8 (40 P.S. § 3408) of this act by one or more of the following causes of action:

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

(d) Respondent's violations of Sections 2003, 2004, 2006 and 2008 of Act 68 of 1998 are punishable by the following, under Section 2013 of the Act (40 P.S. § 991.2013): Any individual or insurer who violates any of the provisions of this article may be sentenced to pay a fine not to exceed five thousand dollars (\$5,000.00).

(e) Respondent's violations of Sections 5(a)(1)(i), 5(a)(4), 5(a)(9) and 5(a)(9)(ii) 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).

- (g) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.5, 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), as stated above.

ORDER

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

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Forty-Five Thousand Dollars (\$45,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.

(e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Harbert, Administrative Assistant, Bureau of Enforcement, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

6. In the event the Deputy Insurance Commissioner finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Deputy Insurance Commissioner may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Deputy Insurance Commissioner may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

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

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

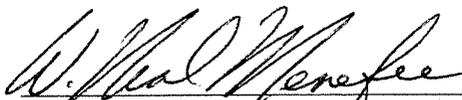
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

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

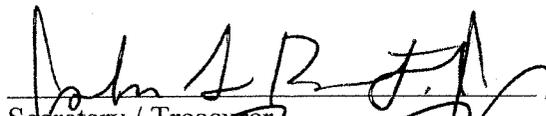
11. This Order shall be final upon execution by the Deputy Insurance Commissioner. Only the Insurance Commissioner or a duly authorized Deputy Insurance Commissioner is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent

Order is not effective until executed by the Insurance Commissioner or a duly authorized Deputy Insurance Commissioner.

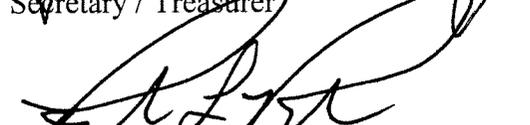
BY: ROCKINGHAM CASUALTY COMPANY,
Respondent



President / ~~Vice President~~



Secretary / Treasurer



RANDOLPH L. ROHRBAUGH
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The market conduct examination was conducted at Rockingham Casualty Company's office located in Harrisonburg, Virginia, from February 14, 2005, through March 4, 2005. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

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

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

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

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

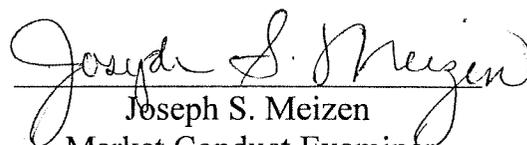
The undersigned participated in this examination and in preparation of this Report.



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



M. Katherine Sutton, AIC
Market Conduct Examiner



Joseph S. Meizen
Market Conduct Examiner

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Rockingham Casualty Company, hereinafter referred to as “Company,” at their office located in Harrisonburg, Virginia. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of July 1, 2003, through June 30, 2004, unless otherwise noted. The purpose of the examination was to determine the Company’s compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

1. Private Passenger Automobile
 - Underwriting - Appropriate and timely notices of nonrenewal, midterm cancellations and 60-day cancellations and rescissions.
 - Rating - Proper use of all classification and rating plans and procedures.

2. Personal Lines Property
 - Underwriting – Appropriate and timely notices of nonrenewal and midterm cancellations.
 - Rating – Proper use of all classification and rating plans and procedures.

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

4. Commercial Property
 - Underwriting – Appropriate and timely notices of midterm cancellations and renewals.

5. Claims

6. Forms

7. Advertising

8. Complaints

9. Licensing

III. COMPANY HISTORY AND LICENSING

Rockingham Casualty Company was incorporated on November 30, 1982, under the laws of Virginia and commenced business on January 1, 1984. This Company and its parent, Rockingham Mutual Insurance Company, merged with Henrico Mutual Fire Insurance Company on November 1, 1991.

LICENSING

Rockingham Casualty Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2005. The Company is licensed in Pennsylvania and Virginia. The Company's 2004 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$6,910,831. Premium volume related to the areas of this review were: Fire \$57,790; Homeowners multiple peril \$2,161,484; Private Passenger Automobile Direct Written Premium was reported as Other Private Passenger Automobile Liability \$2,593,589 and Private Passenger Auto Physical Damage \$2,080,557.

IV. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed. Underwriting guides were furnished for private passenger automobile, homeowners and watercraft. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

The following finding was made:

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

Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance. The Company's homeowner program underwriting guidelines indicate under the standard policy, that "Seasonal-with primary" is the criteria to write the coverage.

V. UNDERWRITING

A. Private Passenger Automobile

1. 60-Day Cancellations

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

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited. These files were also reviewed for compliance with Act 68, Section 2002(b)(3) [40 P.S. §991.2002(b)(3)], which requires an insurer who cancels a policy of automobile insurance in the first 60 days, to supply the insured with a written statement of the reason for cancellation.

The universe of 26 personal automobile files identified as being cancelled in the first 60 days of new business was selected for review. All 26 files selected were received and reviewed. The 4 violations noted were based on 4 files, resulting in an error ratio of 15%.

The following findings were made:

1 Violation Act 68, Section 2006(2) [40 P.S. §991.2006(2)]

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery.

The file contained a cancellation notice for nonpayment of premium, but did not provide 15 days notice of mailing.

3 Violations Act 68, Section 2008(b) [40 P.S. §991.2008(b)]

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The Company did not provide a specific reason for cancellation on the 3 files noted.

2. Midterm Cancellations

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

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited, and Section 2006 (40 P.S. §991.2006), which establishes the requirements which must be met regarding the form and conditions of the cancellation notice.

From the universe of 552 private passenger automobile files identified as midterm cancellations by the Company, 75 files were selected for review. All 75 files selected were received and reviewed. The 554 violations noted were based on the universe of 552 files, resulting in an error ratio of 100%.

The following findings were made:

552 Violations Act 68, Section 2006(6) [40 P.S. §991.2006(6)]

Requires that a cancellation notice advise the insured that he must obtain compulsory automobile insurance coverage if he operates or registers a motor vehicle in this Commonwealth and that the insurer is notifying the Department of Transportation that the insurance is being cancelled and the insured must notify the Department of Transportation that he has replaced said coverage. The cancellation notices did not have the correct required wording.

2 Violations Act 68, Section 2004 [40 P.S. §991.2004]

Requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer. The 2 files noted were cancelled due to the suspension of a resident operator and not the insured.

3. Nonrenewals

A nonrenewal is considered to be any policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date. The purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under

which action by the insurer is prohibited, and Section 2006 (40 P.S. §991.2006), which establishes the requirements which must be met regarding the form and conditions of the cancellation notice.

An initial universe of 70 private passenger automobile files identified as nonrenewals by the Company was selected for review. An additional 59 nonrenewals were subsequently identified and requested for review. All 129 nonrenewals were received and reviewed. The 201 violations noted, were based on the universe of 129 files, resulting in an error ratio of 100%.

The following findings were made:

36 Violations Act 68, Section 2006(2) [40 P.S. §991.2006(2)]

Requires an insurer to deliver or mail to the named insured a nonrenewal notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. The 36 files contained cancellation notices that did not provide the notice required 60 days from the date of mailing.

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

States that an insurer may not cancel or refuse to renew a policy of automobile insurance for two or fewer moving violations in any jurisdiction or jurisdictions during a twenty-four (24) month period when the operator's record indicates that the named insured presently bears five points or fewer. The 6 files noted were nonrenewed based on one violation.

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

States that an insurer may not cancel or refuse to renew a policy of automobile insurance on the basis of one accident within the thirty-six (36) month period prior to the upcoming anniversary date of the policy. The 12 files noted were nonrenewed based on one accident.

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

States that an insurer may not cancel or refuse to renew existing policies written through the terminated agent without offering each such insured coverage on a direct basis or offering to refer the insured to one or more new agents in the event the terminated agent could not find a suitable insurer acceptable to the policyholder for such business. The 18 files noted were nonrenewed because the agent no longer represented the company.

70 Violations Act 68, Section 2006(6) [40 P.S. §991.2006(6)]

Requires that a nonrenewal notice advise the insured that he must obtain compulsory automobile insurance coverage if he operates or registers a motor vehicle in this Commonwealth and that the insurer is notifying the Department of Transportation that the insurance is being cancelled and the insured must notify the Department of Transportation that he has replaced said coverage. The nonrenewal notices did not have the correct required wording.

59 Violations Act 205, Section 5(a)(1)(i) [40 P.S. §1171.5(a)(1)(i)]

Unfair methods of competition and unfair or deceptive acts or practices in the business of insurance means: Making, publishing, issuing or circulating any estimate, illustration, circular, statement, sales presentation, omission, comparison which misrepresents the benefits, advantages, conditions or terms of any insurance policy. These policies were nonrenewed due to the insured not paying the renewal premium, wherein the policy should have terminated according to the provision in the policy. The Company continued coverage beyond the termination date of the policy and billed the policyholder accordingly.

4. Rescissions

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

The primary purpose of the review was to determine compliance with Act 68, Section 2003 [40 P.S. §991.2003], which establishes conditions under which action by the insurer is prohibited. The review also determined compliance with the rescission requirements established by the Supreme Court of Pennsylvania in *Erie Insurance Exchange v. Lake*.

The universe of 7 private passenger automobile files which were identified by the Company as rescissions was selected for review. All 7 files were received and reviewed. The violation resulted in an error ratio of 14%.

The following finding was made:

1 Violation Act 68, Section 2006(3) [40 P.S. §991.2006(3)]

Requires an insurer to deliver or mail to the named insured a cancellation notice and state the specific reason or reasons of the insurer for cancellation. The policy was cancelled midterm and no reason was provided on the notice.

B. Private Passenger Automobile – Assigned Risk

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

C. Personal Lines Property

1. Midterm Cancellations

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

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

From the universe of 163 homeowner policies which were cancelled midterm during the experience period, 25 files were selected for review.

All 25 files requested were received and reviewed. The 5 violations noted were based on 5 files, which resulted in an error ratio of 20%.

The following findings were made:

2 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. Of the 2 violations noted, 1 was cancelled for an improper reason. The remaining file was cancelled and no reason was provided.

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

Requires that a cancellation notice shall state the date, not less than thirty days after the date of delivery or mailing on which such cancellation or refusal to renew shall become effective. The 3 violations were due to cancellation notices being issued that did not provide the required thirty days.

2. Nonrenewals

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

The 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.

An initial universe of 20 homeowner policies which were nonrenewed during the experience period was selected for review. An additional 77 nonrenewals were subsequently identified and requested for review. All 97 nonrenewals were received and reviewed. The 87 violations noted were based on 87 files, resulting in an error ratio of 90%.

The following findings were made:

10 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. Of the 10 violations noted, 9 were nonrenewed because the agent no longer represents the Company. The remaining policy was cancelled for misrepresentation on the application, when no misrepresentation occurred.

77 Violations Act 205, Section 5(a)(1)(i) [40 P.S. §1171.5(a)(1)(i)]

Unfair methods of competition and unfair or deceptive acts or practices in the business of insurance means: Making, publishing, issuing or circulating any estimate, illustration, circular, statement, sales presentation, omission, comparison which misrepresents the benefits, advantages, conditions or terms of any insurance policy. These policies were nonrenewed due to the insured not paying the renewal premium, wherein the policy should have terminated according to the provision in the policy. The Company continued coverage beyond the termination date of the policy and billed the policyholder accordingly.

D. Commercial Property

1. Midterm Cancellations

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

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

The universe of 7 tenant occupied dwelling fire policies which were cancelled during the experience period was selected for review. All 7 files selected were received and reviewed. The violation noted resulted in an error ratio of 14%.

The following finding was made:

1 Violation Act 86, Section 3(a)(6) [40 P.S. §3403(a)(6)]

Requires that a cancellation notice shall state that at the insured's request, the insurer shall provide loss information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less. The file noted was absent any evidence this requirement was complied with.

2. Renewals

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

The purpose of the review was to measure compliance with Act 86, Section 1 (40 P.S. §3401), which requires 30 days advance notice of an increase in renewal premium.

The universe of 23 tenant occupied dwelling fire policies which were renewed during the experience period was selected for review. All 23 files selected were received and reviewed. No violations were noted.

VI. RATING

A. Private Passenger Automobile

1. New Business

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

The primary purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) [40 P.S. §1184], which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at that time. Files were also reviewed to determine compliance with all provisions of Act 6 of 1990 and Act 68, Section 2005(c) [40 P.S. §991.2005(c)], which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance or as a result of any other factors.

Private Passenger Automobile – New Business Without Surcharges

From the universe of 1,404 private passenger automobile policies identified as new business without surcharges by the Company, 100 files were selected for review. All 100 files requested were received and reviewed. The 2,834 violations were based on the universe of 1,404 files, resulting in an error ratio of 100%.

The following findings were made:

1,404 Violations Title 75, Pa. C.S. §1791.1(a)

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: “The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages.” The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured’s existing coverages. The 1,404 violations noted were the result of the Company not providing the itemized invoice to the insured at the time of application.

1,404 Violations Title 75, Pa. C.S. §1793(b)

Requires the insurer to provide to the insured a surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The 1,404 violations were the result of the Company not providing the

insured with a copy of a surcharge disclosure plan at the time of application.

19 Violations Title 75, Pa. C.S. §1705(a)(1)&(4)

Requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy may not be issued unless the applicant has been provided an opportunity to elect a tort option. The Company provided the tort option form but the form did not contain the comparison premiums to assist the insured in making an informed decision.

7 Violations Title 75, Pa. C.S. §1734

A named insured may request in writing the issuance of coverages under Section 1731 (relating to availability, scope and amount of coverage) in an amount equal to or less than the limits of liability for bodily injury. The 7 violations noted did not contain a signed request for lower limits of liability.

Concern: The Company used a fraud statement as provided under the requirements of Title 18, 4117(k)(1). The Company should use the fraud notice as required under Title 75, Pa. C.S. §1822, which specifically addresses automobile.

Private Passenger Automobile – New Business With Surcharges

From the universe of 163 personal automobile policy identified as new business with surcharges by the Company, 50 files were selected for review. All 50 files requested were received and reviewed. The 509

violations noted were based on the universe of 163 files, resulting in an error ratio of 100%.

The following findings were made:

163 Violations Title 75, Pa. C.S. §1791.1(a)

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: “The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages.” The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured’s existing coverages. The 163 files noted were the result of the Company not providing the itemized invoice to the insured at the time of application.

163 Violations Title 75, Pa. C.S. §1799.3(d)

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and specify the

manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The Company did not provide a surcharge disclosure statement listing the dates of accidents, violations and amount of surcharge on the premium notice.

163 Violations Title 75, Pa. C.S. §1793(b)

Requires the insurer to provide to the insured a surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The 163 violations were the result of the Company not providing the insured with a copy of a surcharge disclosure plan at the time of application.

20 Violations Title 75, Pa. C.S. §1705(a)(1)&(4)

Requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy may not be issued unless the applicant has been provided an opportunity to elect a tort option. The Company provided the tort option form but the form did not contain the comparison premiums to assist the insured in making an informed decision.

Concern: The Company used a fraud statement as provided under the requirements of Title 18, 4117(k)(1). The Company should use the fraud notice as required under Title 75, Pa. C.S. §1822, which specifically addresses automobile.

2. Renewals

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

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time. Files were also reviewed to determine compliance with Act 68, Section 2005(c) (40 P.S. §991.2005(c)), which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance, or as a result of any other factors.

The Company processes and issues personal automobile policies using an automated system. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the

examiners were able to determine compliance with the Company's filed and approved rating plans.

Private Passenger Automobile – Renewals Without Surcharges

From the universe of 2,644 private passenger automobile policies renewed without surcharges during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The 2,644 violations were based on the universe of 2,644, resulting in an error ratio of 100%.

The following findings were made:

2,644 Violations Title 75, Pa. C.S §1791.1(b)

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The Company did not provide the notice of tort options to the insured at the time of renewal.

Private Passenger Automobile – Renewals With Surcharges

From the universe of 715 private passenger automobile policies renewed with surcharges during the experience period, 25 files were selected for review. All 25 files selected were received and reviewed. The 1,430 violations noted were based on the universe of 715, resulting in an error ratio of 100%.

The following findings were made:

715 Violations Title 75, Pa. C.S. §1799.3(d)

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The Company did not provide a surcharge disclosure statement, listing the dates of accidents, violations and the amount of surcharge on the premium notice.

715 Violations Title 75, Pa. C.S §1791.1(b)

Requires an insurer to provide an insured a notice of the availability of two alternatives of full tort insurance and limited tort insurance. The Company did not provide the notice of tort options to the insured at the time of renewal

B. Private Passenger Automobile – Assigned Risk

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

C. Homeowners

1. New Business

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

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

Homeowners – New Business Without Surcharges

From the universe of 1,211 homeowner policies written as new business without surcharges during the experience period, 100 files were selected for review. All 100 files were received and reviewed. No violations were noted.

Homeowners – New Business With Surcharges

The universe of 52 homeowner policies written as new business with surcharges during the experience period was selected for review. All 52 files selected were received and reviewed. No violations were noted.

2. Renewals

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

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

Homeowner – Renewals Without Surcharges

From the universe of 4,030 homeowner policies renewed without surcharges during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. No violations were noted.

Homeowner – Renewals With Surcharges

The universe of 4 homeowner policies renewed with surcharges during the experience period was selected for review. All 4 files selected were received and reviewed. No violations were noted.

D. 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.

The universe of 7 dwelling fire policies written as new business during the experience period was selected for review. All 7 files selected were received and reviewed. No violations were noted.

2. Renewals

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

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

The universe of 3 dwelling fire policies renewed during the experience period was selected for review. All 3 files selected were received and reviewed. No violations were noted.

VII. CLAIMS

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

The Claims review consisted of the following areas of review:

- A. Automobile Property Damage Claims
- B. Automobile Comprehensive Claims
- C. Automobile Collision Claims
- D. Automobile Total Loss Claims
- E. Automobile First Party Medical Claims
- F. Homeowner 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 286 private passenger automobile property damage claims reported during the experience period, 50 files were selected for review. All 50 files requested were received and reviewed. The 6 violations noted were based on 6 files, resulting in an error ratio of 12%.

The following findings were made:

3 Violations Title 31, Pa. Code, Section 146.5(a)

Every insurer, upon receiving notification of a claim, shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgment is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company did not acknowledge the 3 claims noted within 10 working days.

3 Violations Title 31, Pa. Code, Section 146.6

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

B. Automobile Comprehensive Claims

From the universe of 338 private passenger automobile comprehensive claims reported during the experience period, 50 files were selected for review. All 50 files requested were received and reviewed. The 9 violations noted were based on 4 files, resulting in an error ratio of 8%.

The following findings were made:

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

Every insurer, upon receiving notification of a claim, shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgment is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company did not acknowledge the claim within 10 working days.

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

Requires an insurer, upon receiving notification of a claim, shall provide within ten working days necessary claim forms, instructions and reasonable assistance so that first-party claimants can comply with policy conditions and reasonable requirements of the insurer. The violation noted was the result of not providing the claimant with the necessary claim forms within ten working days.

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

Within 15 working days after receipt by the insurer or properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. The 3 violations noted resulted from failure to accept the claim within 15 working days after proof of loss was received.

3 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the 3 claims noted.

1 Violation 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 file noted did not reflect a salvage title was obtained.

C. Automobile Collision Claims

From the universe of 825 private passenger automobile collision claims reported during the experience period, 50 files were selected for review. All 50 files requested were received and reviewed. The 7 violations noted were based on 7 files, resulting in an error ratio of 14%.

The following findings were made:

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

Every insurer, upon receiving notification of a claim, shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgment is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company did not acknowledge the claim within 10 working days.

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 timely status letters for the 4 claims noted.

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

Within 15 working days after receipt by the insurer or 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 provide a denial letter to the claimants.

D. Automobile Total Loss Claims

From the universe of 105 private passenger automobile total loss claims reported during the experience period, 25 files were selected for review. All 25 files selected were received and reviewed. The 5 violations noted were based on 5 files, resulting in an error ratio of 20%.

The following findings were made:

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 timely status letters for the claim noted.

3 Violations Title 31, Pa. Code, Section 62.3(e)(1)

Requires the replacement value of a motor vehicle be calculated by use of the Guide Source Method, the Actual Cost Method or the Dealer Quotation Method. The Company did not average the separate guide book values to achieve a replacement value.

1 Violation Title 31, Pa. Code, Section 62.3(e)(4)

Requires that applicable sales tax on the replacement cost of a motor vehicle shall be included as part of the replacement value. The file noted did not provide 6% sales tax in the replacement value of the vehicle.

E. Automobile First Party Medical Claims

From the universe of 95 private passenger automobile first party medical claims reported during the experience period, 25 claim files were selected for review. All 25 files requested were received and reviewed. The 2 violations noted were based on 2 files, resulting in an error ratio of 8%.

The following findings were made:

2 Violations Title 31, Pa. Code, Section 146.5(d)

Requires an insurer, upon receiving notification of a claim, shall provide within ten working days necessary claim forms, instructions and reasonable assistance so that first-party claimants can comply with policy conditions and reasonable requirements of the insurer. The 2 violations noted were the result of not providing claimants with the necessary claim forms within ten working days.

Concern: While the Company did use a fraud statement as provided under the requirements of Title 18, 4117(k)(1), the fraud notice provided under Title 75, Pa. C.S. §1822, specifically addresses automobile and therefore should be utilized with automobile coverages.

F. Homeowner Claims

From the universe of 351 homeowner claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The 12 violations noted were based on 12 files, resulting in an error ratio of 24%.

The following findings were made:

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

Every insurer, upon receiving notification of a claim, shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgment is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company did not acknowledge the claim within 10 working days.

11 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 11 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)] and Act 6 of 1990 [75 Pa. CS §1822] which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage.

The following findings were made:

Automobile Rating – Renewals Without Surcharges

2,644 Violations *Title 75, Pa. C.S. §1822*

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

up to \$15,000." The Company did not provide the fraud warning at the time of renewal.

Automobile Rating – Renewals With Surcharges

715 Violations *Title 75, Pa. C.S. §1822*

Warning notice on application for insurance and claim forms.

Not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a statement that clearly states in substance the following: "Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000." The Company did not provide the fraud warning at the time of renewal.

IX. ADVERTISING

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

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

The Company provided 3 pieces of advertising which were pamphlets placed with the agency plant. The Company does not have a website accessible to the public. 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 16 consumer complaints received during the experience period and provided all consumer complaint logs requested. All 16 complaints reported, were selected for review. Of the 16 complaints requested, 15 were 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:

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

States that an insurer may not cancel or refuse to renew a policy of automobile insurance for two or fewer moving violations in any jurisdiction or jurisdictions during a twenty-four (24) month period when the operator's record indicates that the named insured presently bears five points or fewer. The file noted was the result of a nonrenewal notice being issued based on one violation.

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 complaint file noted was not produced by the Company.

The following synopsis reflects the nature of the 15 complaints that were reviewed.

•	6	Claims	40%
•	2	Underwriting	13%
•	7	Premium/Rating	47%
	<hr/>		<hr/>
	15		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:

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

(a) Any insurance entity or licensee accepting applications or orders for insurance or securing any insurance business that was sold, solicited or negotiated by any person acting without an insurance producer license shall be subject to civil penalty of no more than \$5,000.00 per violation in accordance with this act. This section shall not prohibit an insurer from accepting an insurance application directly from a consumer or prohibit the payment or receipt of referral fees in accordance with this act.

The following producers were found to be writing and /or soliciting policies but were not found in Insurance Department records as holding a Pennsylvania producer license.

Route 30 Auto
Second Opinion

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 and revise internal control procedures to ensure compliance with cancellation and nonrenewal notice requirements of Act 68, Sections 2003, 2004, 2006 and 2008 [40 P.S. §991.2003, 2004, 2006 and 2008], so that the violations noted in the Report do not occur in the future.
2. The Company must review Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)] to ensure that violations regarding the requirements for cancellation notices, as noted in the Report, do not occur in the future.
3. The Company must review Act 205, Section 5(a)(1)(i) [40 P.S. §1171.5(a)(1)(i)] and revise procedures to ensure that violations resulting from continuing coverage beyond the termination date of the policy and billing the policyholder do not occur in the future.
4. The Company must review Title 75, Pa. C.S. §1791.1(a) to ensure that violations of providing an itemized invoice listing minimum coverages at the time of application as noted in the Report do not occur in the future.

5. The Company must review Title 75, Pa. C.S. 1793(b) to ensure that violations regarding the requirement to provide the insured with a surcharge disclosure plan at the time of application, as noted in the Report, do not occur in the future.
6. The Company must review Title 75, Pa. C.S. §1734 to ensure that the insured signs a request for lower limits of liability for uninsured and underinsured motorist coverage and a copy kept in files as noted in the Report.
7. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided the comparison premiums for limited and full tort. This is to ensure that violations noted under Title 75 Pa. C.S. §1705(a)(1)(4) do not occur in the future.
8. The Company must review Title 75, Pa. C.S. §1791.1(b) to ensure that violations of providing the tort options at the time of renewal as noted in the Report do not occur in the future.
9. 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 acknowledgement, status letters, claim acceptance and denials as noted in the Report do not occur in the future.
10. The Company must review Title 31, Pa. Code, Section 62.3(e)(4) with its claim staff to ensure that sales tax is included in the replacement value of a motor vehicle. The Company must review all claims where

sales tax was not included in the replacement value of a motor vehicle. The sales tax 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.

11. The Company must review Title 31, Pa. Code, Section 62.3(e)(1) with its claim staff to ensure that the replacement value of a motor vehicle be calculated by use of the Guide Source Method, the Actual Cost Method or the Dealer Quotation Method.
12. The Company must review Title 75, Pa. C.S. §1161(a)&(b) with its claim staff to ensure that salvage certificates are obtained and are retained with the claim file.
13. The Company must revise and reissue their underwriting guidelines for use in Pennsylvania to eliminate the requirement for supporting coverage as noted in the Report under Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)].
14. The Company must ensure that all renewals contain a statement that clearly states in substance the following: “Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete information or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000.” This is to ensure that violations noted under Title 75, Pa. C.S. §1822 do not occur in the future.

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

XIII. COMPANY RESPONSE

September 5, 2005

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

Re: Rockingham Casualty Company Market Conduct Examination
Examination Warrant Number: 04-M17-048
Experience Period: July 1, 2003 to June 30, 2004

Dear Mr. Derk,

In reply to the Exit Summary dated August 9, 2005, we have provided the enclosed response to the Department's Report of Examination of Rockingham Casualty Company, covering the examination period of July 1, 2003 through June 30, 2004. The response is structured to align with the findings as presented in the Report of Examination. We have taken affirmative steps to resolve the issues raised in the examination and trust that our company's response will reflect that. Please note, we only addressed those areas where a violation was cited within the report.

On behalf of Rockingham Casualty Company, we wish to thank you again for the diligence and professionalism with which Ms. Sutton, Mr. Meizen, and Ms. Arnold pursued their work during the course of the examination. Should you have any questions regarding our response, please do not hesitate to contact me at your convenience.

Respectfully Submitted,



Shawn R. Lough
Product Analysis and Compliance Supervisor

Enclosures

Rockingham Casualty Company
Response to Pennsylvania Market Conduct Examination
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IV. UNDERWRITING PRACTICES AND PROCEDURES

Rockingham Casualty Company takes no exception to the findings of the Pennsylvania Insurance Department and has adjusted its Underwriting Guidelines accordingly. The criteria for writing a "seasonal dwelling policy" only if we issue the primary dwelling policy has been removed from the underwriting guidelines and the change was communicated to the agency force.

V. UNDERWRITING

A. Private Passenger Automobile

1) 60 Day Cancellations:

Rockingham Casualty Company takes no exception to the violations related to Act 68, Section 2006(2) [40 P.S. §991.2006(2)]. Our practices and procedures have been reviewed and revised to insure that the customer receives their cancellation notice at least 15 days prior to the effective date of the cancellation. These standards and expectations have been reviewed and reinforced with all Customer Care and Underwriting staff.

Rockingham Casualty Company takes no exception to the violations related to Act 68, Section 2008(b) [40 P.S. §991.2008(b)]. Our practices and procedures have been reviewed and revised to insure that a specific reason is noted within the notice of refusal to write as to why the policy was cancelled. These standards and expectations have been reviewed and reinforced with all Customer Care and Underwriting staff.

2) Midterm Cancellations:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Act 68, Section 2006(6) [40 P.S. §991.2006(6)]. We have corrected this item by amending our cancellation notices to include the proper wording regarding information that the Company and the insured must provide to the Department of Transportation.

Rockingham Casualty Company takes no exception to the violations related to Act 68, Section 2004 [40 P.S. §991.2004]. Our practices and procedures have been reviewed and revised to insure that policies are canceled within Pennsylvania statutory guidelines. These standards and expectations have been reviewed and reinforced with all Underwriting staff

3) Nonrenewals:

Rockingham Casualty Company takes no exception to the violations related to Act 68, Section 2006(2) [40 P.S. §991.2006(2)]. Our practices and procedures have been reviewed and revised to insure that the customer receives their cancellation notice at least 15 days prior to the effective date of the cancellation. These standards and expectations have been reviewed and reinforced with all Customer Care and Underwriting staff.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Act 68, Section 2003(e) [40 P.S. §991.2003(e)] and has reviewed and revised its practices and procedures to insure that no policy will be cancelled based on an insured only having one recorded violation. These standards and expectations have been reviewed and reinforced with all Customer Care and/or Underwriting staff.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Act 68, Section 2003(b) [40 P.S. §991.2003(b)] and has reviewed and revised its practices and procedures to insure that a policy is not cancelled due to an insured having one recorded accident. These standards and expectations have been reviewed and reinforced with all Customer Care and/or Underwriting staff.

Rockingham Casualty Company
Response to Pennsylvania Market Conduct Examination
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Rockingham Casualty Company takes no exception to the violations related to Act 68, Section 2003(d) [40 P.S. §991.2003(d)]. Rockingham has revised its procedures to allow one additional year for terminated agents to replace coverage with another carrier. After that year, terminations include an offer to continue coverage through another agent, or on a direct basis, upon the insured's request.

Rockingham Casualty Company takes no exception to the findings of deficiency under Act 68, Section 2006(6) [40 P.S. §991.2006(6)] which we have corrected by amending our cancellation notices to include the proper wording regarding the information that the Company and the insured must provide to the Department of Transportation.

Rockingham Casualty Company takes no exception to the findings of deficiency under Act 205, Section 5(a)(1)(i) [40 P.S. §1171.5 (a) (1) (i)] and has discontinued the practice of a continuous renewal policy. We have implemented a renewal offer process, which is consistent with provisions of the policy. All insureds that were affected by this citing have been refunded the amount paid.

4) Rescissions:

Rockingham Casualty Company takes no exception to the violations related to Act 68, Section 2006(3) [40 P.S. §991.2006(3)]. Our practices and procedures have been reviewed and revised so that the insured will be provided a specific reason for cancellation. These standards and expectations have been reviewed and reinforced with all Customer Care and Underwriting staff.

C. Personal Lines Property

1) Midterm Cancellations:

Rockingham Casualty Company takes no exception to the violations related to Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)]. Our practices and procedures have been reviewed and revised to provide a specific reason, which is allowable by the Statutes of Pennsylvania for cancellation of a policy. These standards and expectations have been reviewed and reinforced with all Underwriting staff. Quality assurance reviews are conducted to ensure that appropriate reasons are listed on all cancellation notices.

Rockingham Casualty Company takes no exception to the violations related to Act 205, Section 5(a) (9) (ii) [40 P.S. §1171.5 (a) (9) (ii)]. Our practices and procedures have been reviewed and revised to provide an effective date of cancellation at least 30 days from the time of mailing. These standards and expectations have been reviewed and reinforced with all Customer Care and Underwriting staff.

2) Nonrenewals:

Rockingham Casualty Company takes no exception to the violations related to Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)]. Our practices and procedures have been reviewed and revised to clearly define what constitutes misrepresentation and to establish correct procedures for canceling a policy if misrepresentation occurs. These standards and expectations have been reviewed and reinforced with all Underwriting staff. Quality assurance reviews are conducted to ensure that policies are cancelled for appropriate reasons.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Act 205, Section 5(a)(1)(i) [40 P.S. §1171.5 (a) (1) (i)] and has discontinued the practice of a continuous renewal policy. We have implemented a renewal offer process which is consistent with provisions of the policy. All insureds that were affected by this citing have been refunded the amount paid.

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D. Commercial Property

Midterm Cancellations:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Act 86, Section 3(a)(6) [40 P.S. §3403 (a) (6)], which we have corrected by amending the applicable cancellation notices to include the proper wording as dictated by Pennsylvania statute and to insure that file notes contain evidence that loss information is provided to the insured according to Pennsylvania statutes.

VI. RATING

A. Private Passenger Automobile

1. New Business

New Business without Surcharge:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1791.1(a). Application guidelines have been changed and communicated to agents regarding the requirement to provide the insured with an itemized invoice offering minimum, statutory coverage limits. For renewal business, proper processes have been implemented in Rockingham's application processing system to satisfy this requirement on all renewal business. Additionally, the application guidelines have been reviewed and reinforced with appropriate Underwriting staff for further reinforcement.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1793(b). Application guidelines have been changed and communicated to agents regarding the requirement to provide the insured with Rockingham's surcharge disclosure plans at the time of application. As reinforcement, proper processes have been implemented in Rockingham's application processing system to satisfy this requirement on all renewal business. Additionally, the application guidelines have been reviewed and reinforced with appropriate Underwriting staff for further reinforcement.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1705 (a) (1)&(4). Application guidelines have been changed and communicated to agents that the Tort Option Form must be completed with the premium information displayed to provide the insured enough information to make an informed decision regarding the selection of a tort option. The application guidelines have been reviewed and reinforced with appropriate Underwriting staff for further reinforcement.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1734. Application guidelines have been changed to reinforce that a request for lower limits of liability must be accompanied with a signed request. Communications have been sent to agents to reinforce this requirement. In addition, the application guidelines have been reviewed and reinforced with appropriate Underwriting staff.

New Business with Surcharges:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1791.1(a). Application guidelines have been changed and communicated to the agent regarding the requirement to provide the insured with itemized invoice offering minimum, statutory coverage limits. For renewal business, proper processes have been implemented in Rockingham's application processing system to satisfy this requirement on all renewal business.

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Additionally, the application guidelines have been reviewed and reinforced with appropriate Underwriting staff for further reinforcement.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1799.3(d) which have been corrected by modifying our "Policy Declaration" to provide a surcharge disclosure statement, listing the dates of accidents, violations and amount of surcharge on the premium notice, as dictated by the Statutes of Pennsylvania.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1793(b). Application guidelines have been changed and communicated to agents regarding the requirement to provide the insured with Rockingham's surcharge disclosure plans at the time of application. As reinforcement, proper processes have been implemented in Rockingham's application processing system to satisfy this requirement on all renewal business. Additionally, the application guidelines have been reviewed and reinforced with appropriate Underwriting staff for further reinforcement.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1705 (a) (1)&(4). Application guidelines have been changed and communicated to the agent that the Tort Option Form must be completed with the premium information displayed to provide the insured enough information to make an informed decision regarding selection of a tort option. The application guidelines have been reviewed and reinforced with appropriate Underwriting staff for further reinforcement.

2. Renewals

Renewals without Surcharges:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S §1791.1(b) which have been corrected by implementing the proper process into Rockingham's application processing system to insure that the customer is provided with a notice of tort options at the time of renewal in which to make an informed decision.

Renewals with Surcharges:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1799.3(d) which have been corrected by modifying our "Policy Declaration" to provide a surcharge disclosure statement listing the dates of accidents, violations and amount of surcharge on the premium notice as dictated by the Statutes of Pennsylvania.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S §1791.1(b) which have been corrected by implementing a new process within Rockingham's application processing system to insure that the customer is provided with a notice of tort options at the time of renewal.

VII. CLAIMS

A. Automobile Property Damage Claims:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.5(a). Rockingham policy requires that all involved parties be contacted with 24 hours. File quality assurance programs have been adjusted to reinforce this standard.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.6. Rockingham policy does require that letters be mailed to all claimants in accordance with the 30/45 day guidelines. We have created internal tracking reports, which are reviewed with adjusters weekly, to enforce compliance

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B. Automobile Comprehensive Claims:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.5(a). Rockingham policy requires that all involved parties be contacted within 24 hours. File quality assurance programs have been adjusted to reinforce this standard.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.5(d). Rockingham requires that all forms be mailed at time of initial contact and set up. We have instituted an automated system to improve timely adherence to this requirement.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.7(a)(1). Rockingham policy and procedures require that proof of loss be accepted or denied within 15 days. Quality assurance programs have been adjusted to reinforce this standard. Rockingham has also put software in place to provide automatic tracking and better file management.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.6. Rockingham policy does require that letters be mailed to all claimants in accordance with the 30/45 day guidelines. We have created internal tracking reports, which are reviewed with adjusters weekly, to enforce compliance.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1161 (a)&(b). Rockingham policy and procedures require that all Pennsylvania vehicle title and salvage provisions be strictly enforced. Quality assurance programs are in place to measure and enforce these standards. We have reviewed the guidelines with staff to ensure compliance.

C. Automobile Collision Claims:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.5(a). Rockingham policy requires that all involved parties be contacted within 24 hours after receiving notification of a claim. File quality assurance programs have been adjusted to reinforce this standard.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.6. Rockingham policy does require that letters be mailed to all claimants in accordance with the 30/45 day guidelines. We have created internal tracking reports, which are reviewed with adjusters weekly, to enforce compliance.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.7(a)(1). Rockingham policy and procedures require that proof of loss be accepted or denied within 15 days. Quality assurance programs have been adjusted to support and reinforce this standard. Rockingham has also put software in place to provide automatic tracking and better file management to assure that the requirement is met.

D. Automobile Total Loss Claims:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.6. Rockingham policy does require that letters be mailed to all claimants in accordance with the 30/45 day guidelines. We have created internal tracking reports, which are reviewed with adjusters weekly, to enforce compliance.

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Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 62.3 (e) (1). Rockingham policy and procedures require compliance with all state laws regulating total loss settlements. Quality assurance programs are designed to measure and enforce these standards. We have reviewed the guidelines with staff to ensure compliance.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 62.3(e)(4). Rockingham policy and procedures require compliance with all state laws regulating total loss settlements. Quality assurance programs are designed to measure and enforce these standards. We have reviewed the guidelines with staff to ensure compliance.

E. Automobile First Party Medical Claims:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.5(d). Rockingham requires that all claim forms be mailed following initial contact with a claimant. We have instituted an automated system to assure timely adherence with this requirement.

F. Homeowner Claims:

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.5(a). Rockingham policy requires that all involved parties be contacted within 24 hours after the notification of a claim. File quality assurance programs have been adjusted to reinforce this standard.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 31, Pa. Code, Section 146.6. Rockingham policy does require that letters be mailed to all claimants in accordance with the 30/45 day guidelines. We have created internal tracking reports, which are reviewed with adjusters weekly, to enforce compliance.

VIII. FORMS

Automobile Rating - Renewals Without Surcharges

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1822. We have corrected the issue by incorporating the appropriate fraud warning notice into the renewal process.

Automobile Rating - Renewals With Surcharges

Rockingham Casualty Company takes no exception to the findings of deficiencies under Title 75, Pa. C.S. §1822. We have corrected the issue by incorporating the appropriate fraud warning notice into the renewal process.

X. CUSTOMER COMPLAINTS

Rockingham Casualty Company takes no exception to the findings of deficiencies under Act 68, Section 2003(e) [40 P.S. §991.2003(e)]. Rockingham Casualty Company practices and procedures have been reviewed and revised to ensure that policies are not non-renewed based on one recorded violation. These standards and expectations have been reviewed and reinforced with all Underwriting staff.

Rockingham Casualty Company takes no exception to the findings of deficiencies under Insurance Department Act, Section 903(a) [40 P.S. §323.3]. All customer complaints are logged and appropriately tracked through resolution. The internal company response standard is 5 business days to resolve and address all complaints.

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XI. LICENSING

Rockingham Casualty Company takes no exception to the findings of deficiencies under Insurance Department Act, No. 147, Section 641.1A [40 P.S. §310.41a]. Rockingham has taken appropriate steps to request that the agencies cited obtain appropriate licenses for their business entity. Furthermore, our internal agency licensing and appointment procedures manual have been revised to reflect the requirements of Act 147.

XII. RECOMMENDATIONS

As covered above, we have reviewed and taken action on all recommendations provided by the Department.