

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

SAFE AUTO INSURANCE COMPANY
Columbus, Ohio

**AS OF
November 8, 2010**

COMMONWEALTH OF PENNSYLVANIA

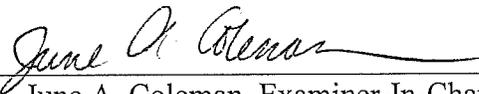


**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: February 1, 2011

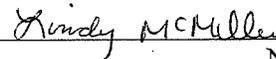
VERIFICATION

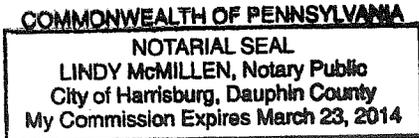
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).


June A. Coleman, Examiner-In-Charge

Sworn to and Subscribed Before me

This 12 Day of October , 2010


Notary Public



SAFE AUTO INSURANCE COMPANY

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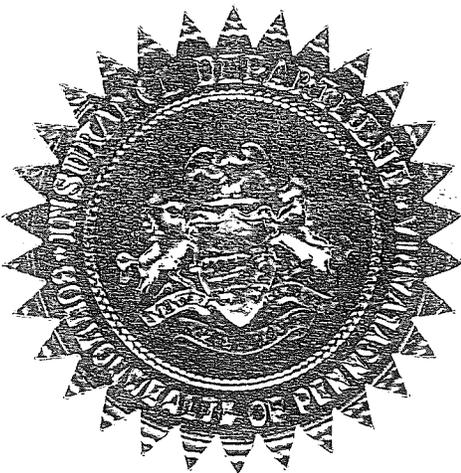
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 24 day of January, 2011, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Ronald A. Gallagher, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.




Michael F. Consedine
Acting Insurance Commissioner

CONSENT ORDER

AND NOW, this 1st day of February, 2011, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

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

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

FINDINGS OF FACT

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

- (a) Respondent is Safe Auto Insurance Company, and maintains its address at
4 Easton Oval, Columbus, OH 43219.

- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2008 through June 30, 2009.
- (c) On November 8, 2010, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response so the Examination Report was provided by Respondent on December 3, 2010.
- (e) The Examination Report notes violations of the following:
 - (i) Section 903(a) of the Insurance Department Act, 40 P.S. § 323.3(a), which requires every company subject to examination keep all records and documents relating to its business in such manner as may be required in order that the Department may verify whether the company has complied with the laws of this Commonwealth;
 - (ii) Section 4 of Act 205 (40 P.S. § 1171.4), which prohibits any person to engage in this state in any trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to this act;

- (iii) Section 5(a)(10)(iv) of Act 205 (40 P.S. §1171.5), which states the following acts, if committed or performed with such frequency as to indicate a business practice, shall constitute unfair claim settlement or compromise practices: (iv) Refusing to pay claims without conducting a reasonable investigation based upon all available information;
- (iv) Section 2002(c)(3) of Act 68 of 1998 (40 P.S. §991.2002), which requires that an insurer supply the insured with a written statement of the reason for cancellation;
- (v) Section 2003(a)(1) of Act 68 of 1998 (40 P.S. §991.2003(a)(1)), which states an insurer may not cancel or refuse to write or renew a policy of automobile insurance for any of the following reasons: Age;
- (vi) Section 2006(2) of Act 68 of 1998 (40 P.S. § 991.2006), which prohibits a cancellation or refusal to renew from being effective unless the insurer delivers or mails a written notice of the cancellation or refusal to renew, which will include the date, not less than 60 days after the date of mailing or delivery, on which the cancellation or refusal to renew shall become effective. When the policy is being cancelled or not renewed for reasons set forth in Sections 2004(1) and (2), however, the effective date may be 15 days from the date of mailing or delivery;

- (vii) 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 cancellation notice and state the specific reason or reasons of the insurer for cancellation;

- (viii) 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 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 Commissioner that he review the action of the insurer in refusing to write a policy for the applicant;

- (ix) Section 1705(b)(1) of Act 1990-6, Title 75, Pa.C.S. §1705, which states the tort option elected by a named insured shall apply to all private passenger motor vehicle policies of the named insured issued by the same insurer and shall continue in force as to all subsequent renewal policies, replacement policies and any other private passenger motor vehicle policies under which the individual is a named insured until the insurer, or its authorized representative, receives a properly executed form electing the other tort option;

- (x) Title 75, Pennsylvania Consolidated Statutes, Section 1716, states that benefits are overdue if not paid within 30 days after the insurer receives reasonable proof of the amount of benefits. If reasonable proof is not supplied as to all benefits, the portion supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer. Overdue benefits shall bear interest at the rate of 12% per annum from the date the benefits become due. In the event the insurer is found to have acted in an unreasonable manner in refusing to pay the benefits when due, the insurer shall pay, in addition to the benefits owed and the interest thereon, a reasonable attorney fee based upon actual time expended;

- (xi) Section 1731(c)(1) of Act 1990-6, Title 75, Pa.C.S. § 1731, which states on policies in which either uninsured or underinsured motorist coverage has been rejected, the policy renewals must contain notice in prominent type that the policy does not provide protection against damages caused by uninsured or underinsured motorists;

- (xii) Section 1738(c)(d)(1) and (2) of Act 1990-6, Title 75, Pa.C.S. § 1738, which requires the named insured to be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms;

- (xiii) 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;

(xiv) Section 1791.1(c) of Act 1990-6, Title 75, Pa.C.S. § 1791, which requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2;

(xv) Section 1793(b) 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;

(xvi) Section 1799.3(a) of Act 1990-6, Title 75, Pa.C.S. § 1799, which prohibits insurers from applying a surcharge, rate penalty or driver record point assignment where, during the preceding three-year period, the aggregate cost to the insurer for any person injured or property damaged is determined to be less than \$1350 in excess of any self-insured retention or deductible applicable to the named insured;

(xvii) 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;

(xviii) Section 1799.3(f) of Act 1990-6, Title 75, Pa.C.S. §1799, which states if requested by the applicant, an agent for an insurer shall submit an application for automobile insurance to the insurer or provide the applicant written notice of the reasons for refusal to write on a form supplied by the insurer and approved by the Commissioner. An applicant receiving a notice of reasons under this subsection may obtain review by the Commissioner pursuant to the Automobile Insurance Policy Act. If either the applicant or insurer is aggrieved by the Commissioner's review, the Commissioner may, in his discretion and for cause shown, hold a hearing pursuant to the Automobile Insurance Policy Act. No insurer shall take any action, overt or otherwise, against any agent or broker for complying with this subsection;

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

(xx) Title 31, Pennsylvania Code, Section 51.21, which requires the format and content of an advertisement of an insurance contract shall be sufficiently complete and clear to avoid deception or the capacity or tendency to mislead or deceive. Whether an advertisement has a capacity or tendency to mislead or deceive shall be determined by the Insurance Commissioner from the overall impression that the advertisement may be reasonably expected to create upon a person of average education or intelligence, within the segment of the public to which it is directed. Advertisements shall be truthful and not misleading in fact or in implication;

(xxi) Title 31, Pennsylvania Code, Section 51.22, which states an advertisement may not be used which because of phrases, statements, references or illustrations therein or information omitted there from, has the capacity, tendency or effect of misleading or deceiving purchasers or prospective purchasers as to the nature or extent of any contract benefit payable, loss covered or premium payable. These standards apply notwithstanding the fact that the contract offered is made available to a prospective insured for inspection prior to the consummation of the sale, or that an offer is made to refund the premium if the purchaser is not satisfied;

(xxii) 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;

- (xxiii) Title 31, Pennsylvania Code, Section 62.3(e)(7), which states the appraiser is responsible for ensuring that a copy of the total loss evaluation report be sent within 5 working days to the consumer by the appraiser after the appraisal is completed. If a settlement offer is extended before the consumer receives the total loss evaluation report, the consumer shall be advised of the total loss evaluation report's contents and of the consumer's right to be sent a copy within 5 days after its completion;
- (xxiv) Title 31, Pennsylvania Code, Section 69.22(c), which requires the insurer, when an insured's first-party limits have been exhausted, to provide notice to the provider and the insured within 30 days of the receipt of the provider's bill;
- (xxv) Title 31, Pennsylvania Code, Section 69.52(b), which requires an insurer to pay medical bills for care that are not referred to a Peer Review Organization within 30 days after the insurer receives sufficient documentation supporting the bill;
- (xxvi) Title 31, Pennsylvania Code, Section 146.5(a), which states 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. If an acknowledgement 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;

- (xxvii) 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;
- (xxviii) Title 31, Pennsylvania Code, Section 146.6 states that if an investigation cannot 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;
- (xxix) 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;
- (xxx) Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), which requires all applications for insurance and all claim forms shall contain or have attached thereto the following notice: “Any person who knowingly and with intent to defraud any insurance company or other person files an

application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties”;

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

(xxxiii) 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 Insurance Department makes the following Conclusions of Law:

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

- (b) Respondent's violations of Sections 4 and 5(a)(10)(iv) 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.

- (c) In addition to any penalties imposed by the Commissioner for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Commissioner may, under Sections 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:
 - (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);
 - (ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).

(d) Respondent's violations of Sections 2002, 2003, 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 4(a) and (h) of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184) are punishable under Section 16 of the Casualty and Surety Rate Regulatory Act:

- (i) imposition of a civil penalty not to exceed \$50 for each violation or not more than \$500 for each such wilful violation;
- (ii) suspension of the license of any insurer which fails to comply with an Order of the Commissioner within the time limited by such Order, or any extension thereof which the Commissioner may grant.

(f) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.5, 146.6 and 146.7 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 described above.

ORDER

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

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Ninety Thousand Dollars (\$90,000.00) 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 Fraser, Bureau of Market

Actions, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

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

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

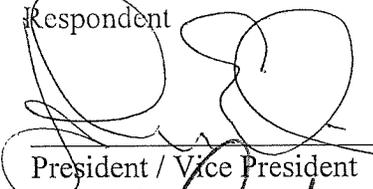
8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

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

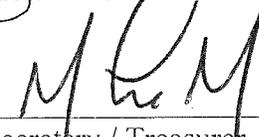
10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: SAFE AUTO INSURANCE COMPANY,
Respondent


VICE PRESIDENT, UNDERWRITING

President / Vice President


General Counsel
Secretary / Treasurer Secretary



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

I. INTRODUCTION

The market conduct examination was conducted at Safe Auto Insurance Company office located in Columbus, Ohio, from March 15, 2010, through May 13, 2010. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

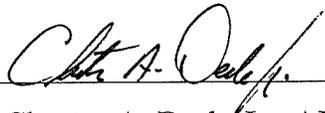
Pennsylvania Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was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

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

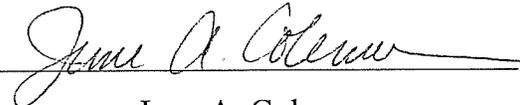
Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel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

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

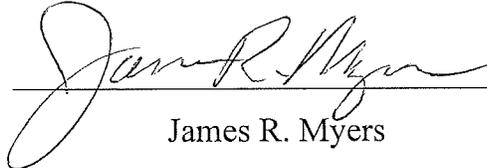
The undersigned participated in this examination and in preparation of this Report.



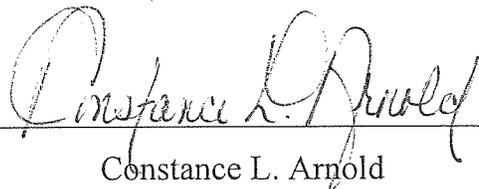
Chester A. Derk, Jr., AIE, HIA
Market Conduct Division Chief



June A. Coleman
Market Conduct Examiner



James R. Myers
Market Conduct Examiner



Constance L. Arnold
Market Conduct Examiner

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Safe Auto Insurance Company, hereinafter referred to as “Company,” at their office located in Columbus, Ohio. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of July 1, 2008, through June 30, 2009, unless otherwise noted. The purpose of the examination was to determine the Company’s compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

1. Private Passenger Automobile
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, declinations and rescissions.
 - Rating – Proper use of all classification and rating plans and procedures.
2. Claims
3. Forms
4. Advertising
5. Complaints
6. Licensing

III. COMPANY HISTORY AND LICENSING

Safe Auto Insurance Company was founded in 1993, and is a direct writer of personal auto insurance. The Company does not employ any outside agents; however Safe Auto does have licensed agents in call centers in other areas of the country. Safe Auto's call centers are located in Columbus, Ohio; Woodsfield, Ohio; Hemmingway, South Carolina and Somerset, Kentucky.

LICENSING

Safe Auto Insurance Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2010. The Company is licensed in Arizona, Arkansas, Colorado, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee and Texas. The Company's 2009 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$60,663,494. Premium volume related to the areas of this review were: Private Passenger Automobile Direct Written Premium was reported as Private Passenger Auto No-Fault (personal injury protection) \$8,654,113; Other Private Passenger Auto Liability \$38,053,057 and Private Passenger Auto Physical Damage \$13,956,324.

IV. UNDERWRITING PRACTICES AND PROCEDURES

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

The following violations were noted:

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

An insurer may not cancel or refuse to write or renew a policy of automobile insurance for any of the following reasons: Age. The Company cannot refuse to write a policy based on age. The Company's Auto Guidelines dated 5/12/2008 and 11/1/2008, indicated the named insured must be an individual who is eighteen years of age or older. Guidelines also listed unacceptable drivers as anyone twenty-one (21) and older who has 26 or more Safe Auto Insurance Company points; or three or more alcohol or drug related offenses; two or more alcohol or drug related offenses within the past twelve months.

The following concerns were noted:

Concern: Underwriting guidelines state that a 5% discount is given when a vehicle is equipped with belts that automatically secure the driver/passenger in at the time of ignition. However, the Company has an approved rate filing listing the

discount at 15%. The Company should update its guidelines.

Concern: Underwriting guidelines effective 11/1/2008 should be updated to reflect the 7/1/08 Department Notice of increase of aggregate cost to be \$1,350.

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.

From the universe of 36,749 private passenger automobile files identified as being cancelled in the first 60 days of new business, 50 files were selected for review. All 50 files were received and reviewed. The violation noted resulted in an error ratio of 2%.

The following finding was made:

1 Violation Act 68, Section 2002(c)(3) [40 P.S. §991.2002(c)(3)]

Adjudications: Tampa v. State Farm (P91-06-01, 1991)

Gorba v. Allstate (P92-02-92, 1993)

Requires that an insurer supply the insured with a written statement of the reason for cancellation. The policy was cancelled within the first 60 days of new business and did not contain evidence of the required 15 days notice.

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 31,689 private passenger automobile files identified as midterm cancellations, 50 files were selected for review. All 50 files were received and reviewed. The 5 violations noted were based on 5 files, resulting in an error ratio of 10%.

The following findings were made:

5 Violations 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. Of the 5 violations noted, 2 files contained cancellation notices for nonpayment of premium, but did not provide 15 days from the date of mailing. The remaining 3 files contained cancellation notices that did not provide the notice requiring 60 days from the date of mailing.

3. Nonrenewals

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

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

The universe of 5 private passenger automobile files identified as nonrenewals was selected for review. All 5 files were received and reviewed. The 5 violations noted were based on 5 files resulting in an error ratio of 100%.

The following findings were made:

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

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. The Company failed to provide a specific reason for nonrenewal for the 5 files noted.

4. Declinations

From the universe of 521 private passenger automobile policies reported as declined during the experience period, 75 files were selected for review. All 75 files were received and reviewed. The 28 violations were based on 26 files, resulting in an error ratio of 35%.

The following findings were made:

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

Discrimination Prohibited – (a) An insurer may not cancel or refuse to write or renew a policy of automobile insurance for any of the following reasons: Age. The Company cannot refuse to write because an applicant is under 18 years of age.

2 General 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.

AND

Title 75, Pa. C.S. §1799.3(f)

Notice of refusal to write. If requested by the applicant, an agent for an insurer shall submit an application for automobile insurance to the insurer or provide the applicant written notice of the reasons for refusal to write on a form supplied by the insurer and approved by the Commissioner. An applicant receiving a notice of reasons under this subsection may obtain review by the Commissioner pursuant to the Automobile Insurance Policy Act. If either the applicant or insurer is aggrieved by the Commissioner's review, the Commissioner may, in his discretion and for

cause shown, hold a hearing pursuant to the Automobile Insurance Policy Act. No insurer shall take any action, overt or otherwise, against any agent or broker for complying with this subsection. The Company failed to provide a notice of right of review for on-line applicants who are refused a policy because they are under the age of 18. The notice of refusal to write for on-line applicants under the age of 18 is not in a form approved by the Commissioner.

2 Violations Insurance Department Act, Section 903(a) [40 P.S. §323.3]
Requires every company subject to examination to keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its business in such manner and for such time as may be required in order that the Department may readily verify whether the Company has complied with the laws of this Commonwealth. The Company failed to maintain and retain recordings of telephone calls for the 2 files noted.

5. 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*.

From the universe of 5,576 private passenger automobile policies that were identified as rescissions during the experience period, 100 files were selected for review. All 100 files were received and reviewed. No violations were noted.

B. Private Passenger Automobile – Assigned Risk

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

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.

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 – New Business Without Surcharges

From the universe of 32,675 private passenger automobile policies identified as new business without surcharges, 25 files were selected for review. All 25 files were received and reviewed. The 96,400 violations noted were based on the universe of 32,675 files, resulting in an error ratio of 100%.

The following findings were made:

1 Violation Title 75, Pa. C.S. §1731(c)(1)

Rejection forms for uninsured and underinsured motorist coverage must be signed by the first named insured and dated to be valid. Any rejection form that does not specifically comply with this section is void. If the insurer fails to produce a valid rejection form, uninsured or underinsured coverage, or both, as the case may be, under that policy shall be equal to the bodily injury liability limits. The Company failed to have the rejection form for underinsured motorist coverage dated to be valid.

1 Violation Title 75, Pa. C.S. §1738(c)(d)(1)&(2)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company failed to provide nonstacked uninsured and underinsured motorist coverage after properly executed forms were received.

32,675 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 failed to provide the required notice at the time of application. The following sentence was missing from the Company's notice: "If you wish to change the tort option that currently applies to your policy, you must notify your agent, broker or company and request and complete the appropriate form."

32,675 Violations Title 75, Pa. C.S. §1791.1(c)

Requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2. The Company failed to provide the notice of premium discounts at the time of application.

31,039 Violations Title 75, Pa. C.S. §1793(b)

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan 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.

AND

Title 75, Pa. C.S. §1799.3(a)

Prohibits insurers from applying a surcharge, rate penalty or

driver record point assignment where, during the preceding three-year period, the aggregate cost to the insurer for any person injured or property damaged is determined to be less than \$1,350 in excess of any self insured retention or deductible applicable to the named insured. The Company failed to provide the proper surcharge disclosure plan to the insured for telephone sales at the time application is made for motor vehicle insurance coverage. Surcharge disclosure used for telephone sales does not reflect the updated threshold for chargeable accidents occurring after July 1, 2008.

4 Violations Title 31, Pa. Code, Section 51.21

Form and content of advertisements.

The format and content of an advertisement of an insurance contract shall be sufficiently complete and clear to avoid deception or the capacity or tendency to mislead or deceive. Whether an advertisement has a capacity or tendency to mislead or deceive shall be determined by the Commissioner of Insurance from the overall impression that the advertisement may be reasonably expected to create upon a person of average education or intelligence, within the segment of the public to which it is directed. Advertisements shall be truthful and not misleading in fact or in implication.

AND

Title 31, Pa. Code, Section 51.22

Misleading or deceptive statements.

An advertisement may not be used which because of phrases, statements, references or illustrations therein or information omitted there from, has the capacity, tendency or effect of

misleading or deceiving purchasers or prospective purchasers as to the nature or extent of any contract benefit payable, loss covered or premium payable. These standards apply notwithstanding the fact that the contract offered is made available to a prospective insured for inspection prior to the consummation of the sale, or that an offer is made to refund the premium if the purchaser is not satisfied.

AND

Act 205, Section 4 [40 P.S. §1171.4]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Prohibited. No person shall engage in this State in any trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to this act. The Company failed to inform consumers/applicants during telephone calls that Pennsylvania's required minimum limit for property damage liability is \$5,000. During telephone calls producers inform applicants/consumers that "Safe Auto Insurance Company quotes the state required limits of liability that makes you legal to drive. Is that okay?" The producer proceeds to quote the property damage limit as \$10,000 in the 4 files noted.

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

Requires every company subject to examination to keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its business in such manner and for such time as may be required in order that the Department may readily verify whether the Company has

complied with the laws of this Commonwealth. The Company failed to maintain files. No sales call recordings found or system did not retain calls for the 5 files noted.

The following concerns were noted:

Concern: The Company's underwriting guidelines and approved rate filing included coverage for bodily injury of \$15,000/30,000 and \$100,000/300,000 and property damage of \$5,000 and \$10,000. The Company failed to follow its underwriting guidelines and approved rate filing by not offering \$100,000/300,000/10,000 for bodily injury and property damage coverage. The Company should offer to provide a quote and provide coverage for \$100,000/300,000/10,000 when such a request is made.

Concern: The Company used zip codes to define its territories. In addition the Company also had a description of what the territories comprise. It is a concern that the territory factor descriptions did not accurately describe the assigned zip code territory. The Company should re-examine its territory descriptions and zip code assignments to ensure accuracy in the descriptions.

Private Passenger Automobile - New Business With Surcharges

From the universe of 48,142 private passenger automobile policies identified as new business with surcharges by the Company, 50 files were selected for review. All 50 files were received and reviewed. The 156,256 violations noted were based on the universe of 48,142 files, resulting in an error ratio of 100%.

The following findings were made:

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

Requires every company subject to examination to keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its business in such manner and for such time as may be required in order that the Department may readily verify whether the Company has complied with the laws of this Commonwealth. The Company failed to maintain files. No sales call recordings found or system did not retain calls.

14,019 Violations Act 246, The Casualty and Surety Rate Regulatory Act, Section 4 (40 P.S. §1184)

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. The Company failed to use approved rate filings for Driver Class Groups and Factors.

1 Violation Title 75, Pa. C.S. §1731(c)(1)

Rejection forms for uninsured and underinsured motorist coverage must be signed by the first named insured and dated to be valid. Any rejection form that does not specifically comply with this section is void. If the insurer fails to produce a valid rejection form, uninsured or underinsured

coverage, or both, as the case may be, under that policy shall be equal to the bodily injury liability limits. The Company failed to have the rejection form for underinsured motorist coverage dated to be valid.

48,142 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 failed to provide the required notice at the time of application. The following sentence was not included on the Company's form: "If you wish to change the tort option that currently applies to your policy, you must notify your agent, broker or company and request and complete the appropriate form."

48,142 Violations Title 75, Pa. C.S. §1791.1(c)

Requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2. The Company failed to provide notice of premium discounts at the time of application.

45,909 Violations Title 75, Pa. C.S. §1793(b)

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan 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.

AND

Title 75, Pa. C.S. §1799.3(a)

Prohibits insurers from applying a surcharge, rate penalty or driver record point assignment where, during the preceding three-year period, the aggregate cost to the insurer for any person injured or property damaged is determined to be less than \$1,350 in excess of any self insured retention or deductible applicable to the named insured. The Company failed to provide the proper surcharge disclosure plan to the insured for telephone sales at the time application is made for motor vehicle insurance coverage. Surcharge disclosure used for telephone sales does not reflect the updated threshold for chargeable accidents occurring after July 1, 2008.

1 Violation Title 75, Pa. C.S. §1799.3(a)

Prohibits insurers from applying a surcharge, rate penalty or driver record point assignment where, during the preceding three-year period, the aggregate cost to the insurer for any person injured or property damaged is determined to be less than \$1,350 in excess of any self insured retention or deductible applicable to the named insured. The Company applied a surcharge to a policy where the aggregate cost was less than \$1,350, which resulted in an overcharge of \$41.

24 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. Of the 24 files noted, the Company failed to clearly identify the amount of the surcharge on the premium notice for 23 files. For the remaining file, the Company failed to provide to the insured the determination of the surcharge and to clearly identify the amount of the surcharge on the premium notice.

6 Violations Title 31, Pa. Code, Section 51.21

Form and content of advertisements.

The format and content of an advertisement of an insurance contract shall be sufficiently complete and clear to avoid deception or the capacity or tendency to mislead or deceive. Whether an advertisement has a capacity or tendency to mislead or deceive shall be determined by the Commissioner of Insurance from the overall impression that the advertisement may be reasonably expected to create upon a person of average education or intelligence, within the segment of the public to which it is directed. Advertisements shall be truthful and not misleading in fact or in implication.

AND

Title 31, Pa. Code, Section 51.22

Misleading or deceptive statements.

An advertisement may not be used which because of phrases, statements, references or illustrations therein or information omitted there from, has the capacity, tendency or effect of misleading or deceiving purchasers or prospective purchasers as to the nature or extent of any contract benefit payable, loss covered or premium payable. These standards apply notwithstanding the fact that the contract offered is made available to a prospective insured for inspection prior to the consummation of the sale, or that an offer is made to refund the premium if the purchaser is not satisfied.

AND

Act 205, Section 4 [40 P.S. §1171.4]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Prohibited. No person shall engage in this State in any trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to this act. The Company failed to inform consumers/applicants during telephone calls that Pennsylvania's required minimum limit for property damage liability is \$5,000. During telephone calls producers inform applicants/consumers that "Safe Auto Insurance Company quotes the state required limits of liability that makes you legal to drive. Is that okay?" The producer proceeds to quote the property damage limit as \$10,000 in the 6 files noted.

3 Violations Title 75, Pa. C.S. §1738(c)(d)(1)&(2)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured

motorist coverage by signing written rejection forms.

AND

Adjudication: Sackett/Nationwide Mutual Insurance Company, J-117-2006 (2006)

When an existing insured purchases uninsured or underinsured motorist coverage for more than one vehicle under a policy, the named insured must be provided with the opportunity to waive stacking of that coverage. The Company failed to inform the insured of the opportunity to stack or waive stacked limits of uninsured and underinsured coverage when endorsing an additional vehicle on a policy for the 3 files noted.

The following concerns were noted:

Concern: The Company's underwriting guidelines and approved rate filing included coverage for bodily injury of \$15,000/30,000 and \$100,000/300,000 and property damage of \$5,000 and \$10,000. The Company failed to follow its underwriting guidelines and approved rate filing by not offering \$100,000/300,000/10,000 for bodily injury and property damage coverage. The Company should offer to provide a quote and provide coverage for \$100,000/300,000/10,000 when such a request is made.

Concern: The Company used zip codes to define its territories. In addition the Company also had a description of what the territories comprise. It is a concern that the territory factor descriptions did not accurately describe the assigned zip code territory. The Company should re-examine its territory descriptions and zip code assignments to ensure

accuracy in the descriptions.

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 7,218 private passenger automobile policies renewed without surcharges during the experience period, 25 files were selected for review. All 25 files were received and reviewed. The 2,016 violations noted were based on the universe of 7,218.

The following findings were made:

25 Violations Title 75, Pa. C.S. §1705(b)(1)

Application of tort options. The tort option elected by a named insured shall apply to all private passenger motor vehicle policies of the named insured issued by the same insurer and shall continue in force as to all subsequent renewal policies, replacement policies and any other private passenger motor vehicle policies under which the individual is a named insured until the insurer, or its authorized representative, receives a properly executed form electing the other tort option. The Company failed to honor the insured's original request for limited tort option at the first 6 month renewal.

12 Violations Title 75, Pa. C.S. §1731(c)(1)

On policies in which either uninsured or underinsured motorist coverage has been rejected, the policy renewals must contain notice in prominent type that the policy does not provide protection against damages caused by uninsured or underinsured motorists. The Company failed to provide the required notice of rejection of uninsured and underinsured motorist coverage in prominent type on renewals.

1 Violation Title 75, Pa. C.S. §1738(c)(d)(1)&(2)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company failed to inform the insured of the opportunity to stack or waive stacked limits of uninsured and underinsured motorist coverage when endorsing an additional vehicle on the policy.

1,977 Violations Title 75, Pa. C.S. §1791.1(c)

Requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2. The Company failed to provide the required notice of premium discounts with the renewal. The Company was providing the notice with renewals until those with an effective date of April 6, 2009 and later.

1 Violation Act 246, The Casualty and Surety Rate Regulatory Act, Section 4 (40 P.S. §1184)

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. The Company failed to use filed and approved rates. The Company failed to file the 15% non-owner policy discount.

The following concerns were noted:

Concern: The Company used zip codes to define its territories. In addition the Company also had a description of what the territories comprise. It is a concern that the territory factor descriptions did not accurately describe the assigned zip code territory. The Company should re-examine its territory descriptions and zip code assignments to ensure accuracy in the descriptions.

Concern: Underwriting guidelines which are the rating rules, stated a vehicle symbol of number 12 be used for named operator policies. The Company advised the vehicle symbol in the guidelines was a typographical error and the symbol should be 10. The Company needs to correct its underwriting guidelines.

Private Passenger Automobile – Renewals With Surcharges

From the universe of 11,980 private passenger automobile policies renewed with surcharges during the experience period, 50 files were selected for review. All 50 files were received and reviewed. The 8,107 violations noted were based on the universe of 11,980 files.

The following findings were made:

4,436 Violations Act 246, The Casualty and Surety Rate Regulatory Act,

Section 4 (40 P.S. §1184)

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also,

no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. The Company failed to use approved rate filings for Driver Class Groups and Factors.

20 Violations Title 75, Pa. C.S. §1705(b)(1)

Application of tort options. The tort option elected by a named insured shall apply to all private passenger motor vehicle policies of the named insured issued by the same insurer and shall continue in force as to all subsequent renewal policies, replacement policies and any other private passenger motor vehicle policies under which the individual is a named insured until the insurer, or its authorized representative, receives a properly executed form electing the other tort option. The Company failed to honor the insured's original request for limited tort option at the first 6 month renewal.

16 Violations Title 75, Pa. C.S. §1731(c)(1)

On policies in which either uninsured or underinsured motorist coverage has been rejected, the policy renewals must contain notice in prominent type that the policy does not provide protection against damages caused by uninsured or underinsured motorists. The Company failed to provide the required notice of rejection of uninsured and underinsured motorist coverage in prominent type on renewals.

5 Violations Title 75, Pa. C.S. §1738(c)(d)(1)&(2)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms.

AND

Adjudication: Sackett/Nationwide Mutual Insurance Company, J-117-2006 (2006)

When an existing insured purchases uninsured or underinsured motorist coverage for more than one vehicle under a policy, the named insured must be provided with the opportunity to waive stacking of that coverage. The Company failed to inform the insured of the opportunity to stack or waive stacked limits of uninsured and underinsured coverage when endorsing an additional vehicle on a policy for the 5 files noted.

3,612 Violations Title 75, Pa. C.S. §1791.1(c)

Requires an insurer to provide an insured a notice stating that discounts are available for drivers who meet the requirements of Sections 1799, 1799.1 and 1799.2. The Company failed to provide the required notice of premium discounts with the renewal. The Company was providing the notice with renewals until those with an effective date of April 6, 2009 and later.

18 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 failed to identify the amount of surcharge on the premium notice.

The following concern was noted:

Concern: The Company used zip codes to define its territories. In addition the Company also had a description of what the territories comprise. It is a concern that the territory factor descriptions did not accurately describe the assigned zip code territory. The Company should re-examine its territory descriptions and zip code assignments to ensure accuracy in the descriptions.

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.

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. Automobile First Party Medical Claims Referred to a PRO

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

A. Automobile Property Damage Claims

From the universe of 2,009 private passenger automobile property damage claims reported during the experience period, 25 files were selected for review. All 25 files were received and reviewed. The 3 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(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 2 claims noted within 10 working days.

1 Violation Title 31, Pa. Code, Section 146.6

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

B. Automobile Comprehensive Claims

From the universe of 616 private passenger automobile comprehensive claims reported during the experience period, 25 files were selected for review. All 25 files were received and reviewed. The violation resulted in an error ratio of 4%.

The following finding was 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 letter for the claim noted.

C. Automobile Collision Claims

From the universe of 4,981 private passenger automobile collision claims reported during the experience period, 25 files were selected for review. All 25 files were received and reviewed. No violations were noted.

D. Automobile Total Loss Claims

From the universe of 1,151 private passenger automobile total loss claims reported during the experience period, 75 files were selected for review. All 75 files were received and reviewed. The 12 violations noted were based on 11 files, resulting in an error ratio of 15%.

The following findings were made:

2 Violations 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 Company failed to apply the correct sales tax on the replacement cost for the 2 claims noted.

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

The appraiser is responsible for ensuring that a copy of the total loss evaluation report be sent within 5 working days to the consumer by the appraiser after the appraisal is completed. If a settlement offer is extended before the consumer receives the total loss evaluation report, the consumer shall be advised of the total loss evaluation report's contents and of the consumer's right to be sent a copy within 5 days after its completion. The Company failed to provide the evaluation report to the consumer within five days after its completion for the 2 claims noted.

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.

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

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

make application to the Department for a certificate of salvage for that vehicle.

(b) Application for certificate of salvage. – An owner who transfers a vehicle to be destroyed or dismantled, salvaged or recycled shall assign the certificate of title to the person to whom the vehicle is transferred. Except as provided in Section 1163, the transferee shall immediately present the assigned certificate of title to the Department or an authorized agent of the Department with an application for a certificate of salvage upon a form furnished and prescribed by the Department. An insurer as defined in Section 1702 to which title to a vehicle is assigned upon payment to the insured or claimant of the replacement value of a vehicle shall be regarded as a transferee under this subsection. The Company failed to provide a Pennsylvania certificate of salvage for 4 claims files and failed to have the owner provide evidence of an issued certificate of salvage before paying replacement value for the remaining claim file.

E. Automobile First Party Medical Claims

From the universe of 2,508 private passenger automobile first party medical claims reported during the experience period, 100 files were selected for review. All 100 files were received and reviewed. The 25 violations noted were based on 23 files, resulting in an error ratio of 23%.

The following findings were made:

5 Violations Title 31, Pa. Code, Section 69.22(c)

Requires the insurer when an insured's first-party limits have

been exhausted, to provide notice to the provider and the insured within 30 days of the receipt of the provider's bill. The Company failed to notify the provider with a copy to insured within 30 days of receipt of bill that first-party benefits have been exhausted for the 5 claim files noted.

8 Violations Title 31, Pa. Code, Section 69.52(b)

Requires an insurer to pay bills for care that are not referred to a Peer Review Organization within 30 days after the insurer receives sufficient documentation supporting the bill. The Company failed to pay medical bills within 30 days for the 8 claims noted.

9 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 Company failed to send application for benefits to claimant within 10 working days of notification of claim for the 9 claims noted.

3 Violations Title 75, Pa. C.S. §1716

Payment of Benefits. Benefits are overdue if not paid within 30 days after the insurer receives reasonable proof of the amount of benefits. If reasonable proof is not supplied as to all benefits, the portion supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer. Overdue benefits shall bear interest at the rate

of 12% per annum from the date the benefits become due. In the event the insurer is found to have acted in an unreasonable manner in refusing to pay the benefits when due, the insurer shall pay, in addition to the benefits owed and the interest thereon, a reasonable attorney fee based upon actual time expended. The Company did not pay interest on 3 claims that were not paid within 30 days.

The following concern was noted:

Concern: When provider bills and application for benefits are received the Company usually date stamps the documents; however, in several cases, only the envelope in which the document was sent is the only item that may indicate when the item was received. It can be very difficult to read the postmark to identify the date of mailing. The Company should make it a practice to stamp ALL documents as they are received to ensure timely compliance.

F. Automobile First Party Medical Claims Referred to a PRO

The Company did not report any automobile first party medical claims referred to a Peer Review Organization. The Company was asked to provide a copy of all peer review contracts in place during the experience period. The contract was received and reviewed. No violations were 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 Title 75, Pa. C.S. §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:

5 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."

AND

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

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties. The Company failed to provide the required Pennsylvania fraud notice on a theft affidavit claim form, a company damage appraisal claim form, an Audatex damage appraisal claim form, a Statement of Physical Condition claim form and an Audatex total loss evaluation claim form.

Automobile Rating – Renewals Without Surcharges

6,629 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 failed to provide the fraud warning on renewals with an effective date of January 15, 2009 and after.

Automobile Rating – Renewals With Surcharges

11,101 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 failed to provide the fraud warning on renewals with an effective date of January 15, 2009 and after.

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 168 pieces of advertising in use during the experience period. The advertising materials provided included: billboards and television ads. Internet advertising was also reviewed. No violations were noted.

X. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the preceding four years. The Company identified 126 consumer complaints received during the experience period and provided all consumer complaint logs requested. Of the 126 complaint files reported, 50 files were requested, received and reviewed.

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

The following findings were made:

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 Company failed to provide 15 days notice of cancellation for the file noted.

1 Violation Act 205, Section 5(a)(10)(iv) [40 P.S. §1171.5(a)(10)(iv)]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. “Unfair Methods of Competition” and “Unfair or Deceptive Acts or Practices” in the business of insurance means: (10) any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices: (iv) Refusing to pay claims without conducting a reasonable investigation based upon all available information. The Company failed to pay the claim without conducting a reasonable investigation. The Company refused payment of claim due to non-cooperation of insured. The Company failed to discuss the claim with the insured during the four phone calls on August 15, 2008.

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 Company failed to apply the correct sales tax on the replacement cost for the file noted.

1 Violation Title 31, Pa. Code, Section 62.3(e)(7)

The appraiser is responsible for ensuring that a copy of the total loss evaluation report be sent within 5 working days to the consumer by the appraiser after the appraisal is completed. If a settlement offer is extended before the consumer receives the total loss evaluation report, the consumer shall be advised of the total loss evaluation report's contents and of the consumer's right to be sent a copy within 5 days after its completion. The Company failed to provide a

copy of the evaluation report to the claimant within 5 working days after completion of the appraisal.

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.

7 Violations Title 31, Pa. Code, Section 146.6

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

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

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

The following concern was noted:

Concern: Complaint logs for 2005, 2006, 2007, 2008 and 2009 were provided and reviewed for compliance. All 5 complaint logs noted did not indicate the classification by line of insurance. The Company must indicate the line of classification by line of insurance for each log which is required by Act 205, Section 5(a)(11) going forward. Even though the Company is a mono-line private passenger automobile insurer, it does not exclude the Company from this requirement.

The following synopsis reflects the nature of the 50 complaints that were reviewed.

• 25	Claims	50%
• 16	Cancellation	32%
• 1	Rescissions	2%
• 8	Miscellaneous	16%
<hr/>		<hr/>
50		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. No violations were noted.

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 2002, 2003, 2006 and 2008 [40 P.S. §991.2002, 2003, 2006 and 2008], so that the violations noted in the Report do not occur in the future.
2. The Company must review Title 75, Pa. C.S. §1791.1(b) violations to ensure that tort options are provided at the time of application, as noted in the Report, and do not occur in the future.
3. The Company must revise underwriting procedures to ensure that the insured is aware that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. This is to ensure that the violation noted under Title 75, Pa. C.S. §1738(d)(1) and (2) does not occur in the future.
4. On policies in which either uninsured or underinsured coverage has been rejected, the policy renewal must contain notice in prominent type that the policy does not provide protection against damages caused by uninsured or underinsured motorists. This procedure must be implemented within 30 days of the Report issue date. This is to ensure that violations noted under Title 75, Pa. C.S. §1731(c)(1) do not occur in the future.

5. The Company must review Title 75, Pa. C.S. §1791.1(c) to ensure that violations regarding the requirement to provide notice to insureds stating that discounts are available for drivers, as noted in the Report, do not occur in the future.
6. The Company must review Act 246, Section 4(a) and (h) [40 P.S. §1184] and take appropriate measures to ensure the rating violations listed in the report do not occur in the future.
7. The Company must review Title 75, Pa. C.S. 1793(b) and 1799.3(a) to ensure that violations regarding the requirement to provide the insured at the time of application with a correct surcharge disclosure plan reflecting the updated threshold for chargeable accidents, as noted in the Report, does not occur in the future.
8. The Company must review Title 75, Pa. C.S. §1705(b)(1) to ensure that the tort option elected by a named insured shall apply to all private passenger motor vehicle policies of the named insured issued by the same insurer and shall continue in force as to all subsequent renewal policies, until the insurer receives a properly executed form electing the other tort option.
9. The Company must reinforce its internal underwriting controls to ensure that all records and documents are maintained in accordance with Insurance Department Act, Section 903(a) [40 P.S. §323.3], so that violations noted in the Report do not occur in the future.

10. The Company must review Title 31, Pa. Code, Sections 51.21, 51.22 and Act 205, Section 4 (40 P.S. §1171.4), with its staff and producers to ensure that all applicants are informed of Pennsylvania's required correct minimum limits for property damage limits.
11. 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, sending necessary claim form and claim denials, as noted in the Report and do not occur in the future.
12. The Company must review Title 31, Pa. Code, Section 69.52(b) with its claim staff to ensure that first party medical bills are paid within 30 days.
13. The Company must review the first party medical claims, which have not been paid within 30 days. Those claims that have not been paid within 30 days shall bear interest at the rate of 12% annum from the date the benefits become due as required by Title 75, Pa. C.S. §1716. The interest amount must be paid to the claimant and proof of such payment must be provided to the Insurance Department within 30 days of the Report issue date.
14. 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.

15. The Company must review Title 31, Pa. Code, Section 62.3(e)(7) with its claim staff to ensure that the consumer receives the total loss evaluation report within 5 working days after the appraisal is completed.
16. 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.
17. The Company must review Title 31, Pa. Code, Section 69.22 with its claim staff to ensure that the provider and insured are properly notified when first-party medical benefits have been exhausted.
18. The Company must ensure that all claim forms and renewals contain the required fraud warning notice.
19. The Company must revise and reissue their underwriting guidelines for use in Pennsylvania to ensure that the guidelines do not exclude applicants from being eligible to obtain insurance for reasons established in Section 2003 of Act 68 [40 P.S. §991.2003].
20. The Company must review Act 205, Section 5(a)(10)(iv) [40 P.S. §1171.5(a)(10)(iv)] to ensure that all claims are investigated thoroughly, fairly and reasonably based upon all information, so the violation does not occur in the future.

XIII. COMPANY RESPONSE



Safe Auto Insurance Company

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Mark D. Le Master

Senior Vice President
General Counsel
Secretary

December 3, 2010

Sent Via Email & Regular Mail

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

**Re: Safe Auto Insurance Company – Response to Report of Examination
Examination Warrant Number: 09-M29-027**

Dear Mr. Derk:

Please accept this as the response of Safe Auto Insurance Company ("Safe Auto") to the Report of Examination ("Report"), Warrant Number 09-M29-027, which we received with your cover letter dated November 8, 2010.

The Report identifies limited operational errors that are isolated occurrences and a number that are categorized as universal because they applied to an entire sample. Although our response focuses mainly on the universal findings, we assure you that management has reviewed the regulatory requirements with the appropriate operational personnel in the underwriting and claims areas in an effort to minimize and avoid reoccurrence of these limited errors in the future. Notwithstanding a number of universal findings in the underwriting and rating areas that are technical in nature and resulted in no demonstrable harm to consumers, we believe the Report demonstrates Safe Auto's strong commitment to customer service.

The Report notes purported violations of 40 P.S. § 991.2003(a) based on age. Due to the inherent nature of this finding, we believe it is important to clarify our position. Safe Auto requires the named insured on any policy to be either over the age of eighteen or an emancipated minor. This guideline is

SAFE AUTO INSURANCE COMPANY

based solely upon the named insured's ability to legally enter into contracts. We respectfully reiterate our good faith belief that such practice does not violate Pennsylvania law in any manner.

Only persons who are eighteen (18) years of age or older are legally competent to enter into binding contracts. 23 Pa.C.S. § 5101. Pennsylvania law also provides that contracts entered into by a minor, other than contracts for necessities, are voidable by the minor. Aetna Casualty & Surety Co. v. Duncan, 972 F.2d 523, 526 (3rd Cir. 1992). “[A] minor can render a contract a nullity by disaffirming it at any point up until a reasonable time after the minor attains his or her majority.” Id. However, auto insurance is not automatically presumed to be a necessary under Pennsylvania law. See, Smitti v. Roth Cadillac Co., 21 A.2d 127 (1941). The “word ‘necessaries’ has no hard and fast meaning. It varies with the accustomed manner of living of the claimants.” State Farm Mutual Automobile Co. v. Skivington, 28 Pa. D. & C. 4th 358 *citing*, Smitti, *supra*. It is Safe Auto’s position that requiring an applicant under the age of eighteen to provide proof of emancipation is fully in sync with Pennsylvania law.

The Report also identifies a number of universal findings in the areas of underwriting and rating. The following bullets address our subsequent actions regarding each universal finding:

- 75 Pa. C.S. §1791.1(b) – We revised the point-of-sale automated procedures to include the final sentence of the required disclosure verbatim. The version identified in the finding was used in good faith because we believed it was more understandable and provided better customer service. The verbatim notice was also mailed to consumers upon issuance of the policy.
- 75 Pa. C.S. §1791.1(c) – We revised the point-of-sale automated procedures to include the notice of premium discounts. For the sake of clarity, the actual application of consistent and accurate premium discounts was not the subject of this finding.
- 75 Pa. C.S. §1793(b) and 75, Pa. C.S. §1799.3(a) – We revised the point-of-sale automated procedures to include the updated surcharge disclosure plan. For the sake of clarity, the correct surcharge disclosure plan was mailed to each customer at the time of policy issuance and, the actual application of consistent and accurate surcharges was not the subject of this finding.
- 40 P.S. §1184 – The “Driver Class Groups and Factors” table contained in the rate filing in question included clerical errors that were not programmed into our rating system. Accordingly, this was a harmless mistake that only generated what appear to be errors when individual policies were manually rated by the examiners; however, we have since corrected the erroneous page in a subsequent rate filing. No consumers were rated inappropriately.
- 75 Pa. C.S. §1822 – We are in the process of revising the forms in question and revising our automated procedures to correct the fraud warning statement.

SAFE AUTO INSURANCE COMPANY

We sincerely appreciate the Department's efforts and its professionalism during the course of the examination and appreciate this opportunity to respond to the Report.

Regards,


Mark D. Le Master