



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF

**NEW JERSEY MANUFACTURERS
INSURANCE COMPANY**
WEST TRENTON, NJ

As of: June 1, 2023
Issued: July 13, 2023

**BUREAU OF MARKET ACTIONS
PROPERTY AND CASUALTY DIVISION**



PENNSYLVANIA INSURANCE DEPARTMENT
EXAMINATION VERIFICATION

I, _____, _____ from
(Name of Examiner) (Title of Examiner)

_____ certify that I was the Examiner-In-Charge of the Report of
(Name of Vendor/Department)

Examination of _____ made as of _____.
(Name of Examined Company) (Date)

The last date of examination file review was _____ and the written Report
(Date)

of Examination was reviewed and accepted by the _____
(Chief of Market Conduct Examiner)

on _____.
(Date)

I have reviewed the completed written Report of Examination and certify that the facts and figures recited
therein are true and accurate, according to the records, documents and other evidence obtained during the
course of the examination.

(Examiner-in Charge)

(Name of Vendor/Department)

(Address of Vendor/Department)

Joshua Gotwalt
(Examiner in Charge Signature)

(Date)

IN ORDER TO SATISFY SECTION 40 P.S. § 323.5(b), THAT PROVIDES FOR NO LONGER THAN
SIXTY (60) DAYS FROM THE COMPLETION OF THE EXAMINATION, THE EXAMINER IN
CHARGE SHALL FILE WITH THE DEPARTMENT A VERIFIED WRITTEN REPORT OF
EXAMINATION UNDER OATH.

New Jersey Manufacturers Insurance Company

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this __3rd__ day of _July___, 2023, 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 David J. Buono, Jr., 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 Humphreys
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
NEW JERSEY MANUFACTURERS :
INSURANCE COMPANY : 40 P.S. §323.3(a)
301 Sullivan Way: :
West Trenton, NJ 08628 : 40 P.S. §§991.2006, 991.2006(1), and
: 991.2006(2)
: :
: 40 P.S. §1224(a)&(i)
: :
: 31 Pa. Code §§62.3, 62.3(e)(4), 62.3(e)(7),
: 69.52(b), and 146.6
: :
: 75 Pa. C.S. §§1161(a)(b), 1705(a)(4),
: 1716, 1734, and 1738(d)(1)&(2)(e)
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Respondent. : Docket No. MC23-07-001

CONSENT ORDER

AND NOW, this 13th day of July, 2023, 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 New Jersey Manufacturers Insurance Company, and maintains its address at 301 Sullivan Way, West Trenton, NJ 08628.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from January 1, 2021 through December 31, 2021.
- (c) On June 1, 2023, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on June 29, 2023.

(e) The Market Conduct Examination of Respondent revealed violations of the following:

(i) All findings and conclusions in the Examination Report, which is attached hereto, are hereby incorporated into this Consent Order

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) Violations of 40 P.S. §§991.2006, 991.2006(1), and 991.2006(2) (relating to motor vehicles) of 40 P.S. are punishable by the following, under Section 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).

- (c) Violations of 1224(a)&(i) are punishable by the following under the Fire and Marine Insurance Act (40 P.S. §1235):
 - (i) imposition of a civil penalty not to exceed \$50 for each violation or not more than \$500 for each such willful violation;
 - (ii) suspension of the license of any rating organization or 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.

- (d) Respondent's violations of 31 Pa. Code §146.6 are punishable under Sections 1 through 5 and Section 9 of the Unfair Insurance Practices Act (40 P.S. §§1171.1 – 1171.5 and 1171.9):
 - (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

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

ORDER

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

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall pay Twenty Thousand Dollars (\$20,000.00) in settlement of all violations contained in the Report.
- (c) Payment of this matter shall be made at <https://www.bpp.ob.pa.gov/Customer>.
Instructions on how to do this are provided in the attached cover letter to this order.
Payment must be made no later than thirty (30) days after the date of this Order.
- (d) To determine Respondent's compliance with the full and timely implementation of all recommendations in the Examination Report, the Department may inquire with the Respondent about its implementation of the Recommendations no earlier than twelve (12) months from the date of this Order.
- (e) Respondent shall share the Examination Report and this Order with each of its directors and submit affidavits executed by each of its directors, stating under oath that they have received a copy of the Examination Report and this Order. Such affidavits shall be submitted within thirty (30) days of the date of this Order.

(f) Respondent shall comply with all recommendations contained in the attached Report.

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.

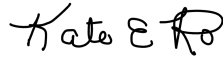
8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

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.

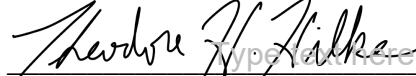
10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

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.

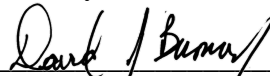
BY: NEW JERSEY MANUFACTURERS
INSURANCE COMPANY
Respondent



President / Vice President



Secretary / Treasurer



DAVID J. BUONO
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Examination of New Jersey Manufacturers Insurance Company, hereinafter referred to as “Company”, was conducted at the Pennsylvania Insurance Department beginning May 17, 2022. There was no onsite portion of the exam.

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 following examiners participated in this examination and in preparation of this Report.

Paul Towsen, MCM
Market Conduct Division Chief
Pennsylvania Insurance Department

Joshua Gotwalt, MCM
Market Conduct Examiner II, EIC
Pennsylvania Insurance Department

Nanette Soliday, MCM
Market Conduct Examiner II
Pennsylvania Insurance Department

Jessica Lynch, CFE, MCM
Examiner
Lewis & Ellis, Inc.

Omar Akel, CFE
Examiner
Lewis & Ellis, Inc.

Mel Heaps
Examiner
Lewis & Ellis, Inc.

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on New Jersey Manufacturers Insurance Company, at the Pennsylvania Insurance Department, located in Harrisburg, Pennsylvania. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act of 1921 and covered the experience period of January 1, 2021, through December 31, 2021, 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:

Private Passenger Automobile and Personal Property

1. Underwriting - Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, declinations, and rescissions.
2. Rating - Proper use of all classification and rating plans and procedures.
3. Claims
4. Complaints
5. Underwriting Practices and Procedures
6. Forms
7. Data Integrity

III. COMPANY HISTORY

New Jersey Manufacturers Insurance Company (hereinafter “NJM”) was formed as a stock company but operates as a mutual with all stock held in trust for the benefit of policyholders. NJM was incorporated in June 1913 in response to progressive legislation designed to improve employee safety and provide care for injured workers and began writing workers compensation insurance for members of the New Jersey Manufacturers Association. NJM began writing commercial auto insurance in 1917 and personal lines insurance in the 1920s. More than 109 years later, NJM continues its mission to operate for the exclusive service and benefit of its policyholders. NJM is expanding the markets in which it does business and the insurance solutions it provides to become a regional, full-service, multi-line writer of both personal and commercial lines insurance. NJM seeks to bring its legacy of excellent customer service, stewardship, and integrity to consumers in neighboring states (which includes New York, Delaware, Maryland, Pennsylvania, Connecticut, and Ohio). NJM is the largest provider of workers’ compensation insurance in New Jersey and is among New Jersey’s largest insurers of private passenger automobiles, commercial vehicles, homes, condominiums, and personal property for residents of rental properties. A.M. Best Company, the nation’s premier insurance industry analyst and rating organization, has assigned NJM the rating of A+ (Excellent). NJM is a cost-conscious insurer with a unique history and philosophy of service to policyholders. NJM has earned a reputation for superior service and prompt, fair handling of claims. NJM practices selective underwriting on a book of full coverage automobile (private passenger and commercial), umbrella (personal and commercial), workers’ compensation, homeowners, business owners, and dwelling fire (including extended coverage) business. NJM continues to attract new policyholders despite the persistently high level of competition in the marketplace. Historically, NJM has operated solely as a direct writer. However, in July 2020, NJM began utilizing independent

insurance agents to assist selling commercial lines products. Although NJM's direct writing model will continue for some existing and small businesses consisting of less than 8 employees, NJM will utilize insurance agents for middle market and large account business going forward. NJM's dedication to financial stewardship is evidenced by its policyholder surplus, which reached \$4.1 billion at the end of 2021. This reflects an increase of \$1.2 billion since year-end 2017, demonstrating NJM's strong and disciplined underwriting and careful investment management. NJM had direct premiums written of \$1.9 billion at year-end 2021, making NJM the second largest property casualty insurance carrier in New Jersey and 53rd largest carrier in the nation.

LICENSING

New Jersey Manufacturers Insurance Company's last Certificate of Authority to write business in the Commonwealth was issued on April 1, 2023. New Jersey Manufacturers Insurance Company is licensed to transact private passenger automobile and personal property insurance business in nine states (Connecticut, Delaware, Maryland, Maine, New Jersey, New York, Ohio, Pennsylvania, and Rhode Island). The Company's 2021 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$70,400,662. Premium volume related to the areas of this review were: Homeowners Multiple Peril \$12,635,398; Private Passenger Automobile Direct Written Premium was reported as Private Passenger Auto No-Fault (Personal Injury Protection) \$4,604,191; Other Private Passenger Auto Liability \$20,459,899; and Private Passenger Auto Physical Damage \$14,309,851.

IV. UNDERWRITING

A. Private Passenger Automobile

1. Nonrenewals

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

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

From the universe of 6,757 private passenger automobile policies which were nonrenewed during the experience period, 100 files were selected for review. All 100 files requested were received and reviewed. The three violations noted were based on three files, resulting in an error ratio of 3%.

The following findings were noted.

1 Violation 40 P.S. §991.2006

Proper notification of intention to cancel. A cancellation or refusal to renew by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the named insured at the address shown in the policy a written notice of the cancellation or refusal to renew. The Company failed to locate the nonrenewal for the file noted.

1 Violation 40 P.S. §991.2006(1)

Proper notification of intention to cancel. A cancellation or refusal to renew by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the named insured at the address shown in the policy a written notice of the cancellation or refusal to renew. The notice shall: (1) Be in a form acceptable to the Insurance Commissioner. The Company failed to provide a form acceptable to the Insurance Commissioner for the file noted.

1 Violation 40 P.S. §991.2006(2)

Proper notification of intention to cancel. A cancellation or refusal to renew by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the named insured at the address shown in the policy a written notice of the cancellation or refusal to renew. The notice shall: (2) State the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation or refusal to renew shall become effective. When the policy is being cancelled or not renewed for the reasons set forth in Section 2004(1) and (2). However, the effective date may be fifteen (15) days from the date of mailing or delivery. The Company failed to provide 60 days mailing notice prior to the cancellation effective date for the file noted.

2. Mid-term Cancellations

A mid-term 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 4,154 private passenger automobile policies which were cancelled during the experience period, 75 files were selected for review. All 75 files requested were received and reviewed. Out of the 75 files reviewed, four files were identified as a nonrenewal. No violations were noted.

3. 60-Day Cancellations

A 60-day cancellation is 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(c)(3) (40 P.S. §991.2002(c)(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 325 automobile policies that were cancelled within the first 60 days of new business, 25 files were selected for review. All 25 files requested were received and reviewed. No violations were noted.

4. Declinations

A declination is any application that is received by the Company and was declined to be written.

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.

From the universe of 3,291 declinations for private passenger automobile policies which were declined during the experience period, 50 files were selected for review. All 50 files requested were received and reviewed. No violations were noted.

CONCERN: The Company is sending Notice of Cancellations with no address and phone number to contact Assigned Risk. The Company should add the telephone number and address of Assigned Risk so the insured can contact Assigned Risk if needed.

5. Rescissions

A rescission is any policy which was void ab initio by the Company.

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 determines compliance with the rescission requirements established by the Supreme Court of Pennsylvania in *Erie Insurance Exchange v. Lake*.

The Company did not report any private passenger automobile rescissions for the experience period.

B. Personal Property

1. Nonrenewals

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

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

From the universe of 5,506 property policies, which were nonrenewed during the experience period, 125 files were selected for review. The property policies consisted of 50 homeowners, 25 tenant homeowners, 25 condominium and 25 owner occupied dwelling fire. All 125 files requested were received and reviewed. No violations were noted.

2. Mid-term Cancellations

A mid-term 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 personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the cancellation notice.

From the universe of 2,001 property policies which were cancelled midterm during the experience period, 180 files were selected for review. The property policies consisted of 50 homeowners, 75 tenant homeowners, 25 condominium and 30 owner occupied dwelling fire. Out of the 180 files reviewed, 15 files were determined to be nonrenewals. All 180 files requested were received and reviewed. No violations were noted.

The following concern was noted:

CONCERN: When calculating the time frame for the number of days mailed, exclude the first day (mailing date) and the last day (termination date). [see Adjudications: Pursell / Goschenhoppen Mutual, PH91-11-24 (1992); Konek / Pennsylvania National, P91-05-55 (1992); Amareld / Safeco, PH95-02-087 (1997)]. In essence, the company must actually provide 32 days mailing. The company was only providing 30 days mailing notice.

3. 60-Day Cancellations

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

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

From the universe of 456 property policies, which were cancelled in the first 60 days of new business, 196 files were selected for review. The property policies consisted of 75 homeowners, 50 tenant homeowners, 28 condominium and 43 owner occupied dwelling fire. All 196 files requested were received and reviewed. No violations were noted.

The following concern was noted:

CONCERN: When calculating the time frame for the number of days mailed, exclude the first day (mailing date) and the last day (termination date). [see Adjudications: Pursell / Goschenhoppen Mutual, PH91-11-24 (1992); Konek / Pennsylvania National, P91-05-55 (1992); Amareld / Safeco, PH95-02-087 (1997)]. In essence, the company must actually provide 32 days mailing. The company was only providing 30 days mailing notice.

4. Declinations

A declination is any application that is received by the Company and was declined to be written.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5 [40 P.S. §1171.5], which defines unfair methods of competition and unfair or deceptive acts or practices.

The universe of 24 property policies which were declined by the Company during the experience period was selected for review. All 24 files requested were received and reviewed. The property policies consisted of 22

homeowners, 1 condominium and 1 owner occupied dwelling fire. No violations were noted.

5. Rescissions

A rescission is any policy which was void ab initio by the Company.

The primary purpose of the review was to determine compliance with Act 205, which establishes conditions under which action by the insurer is prohibited. The review also determines compliance with the rescission requirements established by the Supreme Court of Pennsylvania in *Erie Insurance Exchange v. Lake*.

The Company did not report any property rescissions for the experience period.

V. 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 The Casualty and Surety Rate Regulatory Act, Section 4(a) and (h) (40 P.S. §1184(a), (h)), 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 all provisions of the Motor Vehicle Financial Responsibility Law (75 Pa. C.S. §§1701 – 1799.7) 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 uses an automated system to process and issue personal automobile policies. 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 Rating – New Business Without Surcharges

From the universe of 9,267 private passenger automobile policies identified as new business without surcharges by the Company, 75 files were selected for review. All 75 files requested were received and reviewed. The 27 violations noted were based on 25 files, resulting in an error ratio of 33%.

The following findings were noted:

1 Violation 75 Pa. C.S. §1705(a)(4)

Election of tort options. (a) Financial responsibility requirements. (4) Each insurer, prior to the first issuance of a private passenger motor vehicle liability insurance policy on and after July 1, 1990, shall provide each applicant with the notice required by paragraph (1). A policy may not be issued until the applicant has been provided an opportunity to elect a tort option. The Company failed to provide a signed limited tort option selection form for the file noted.

25 Violations 75 Pa. C.S. §1734

Request for lower limits of coverage. A named insured may request in writing the issuance of coverages under section 1731 (relating to availability, scope, and amount of coverage) in amounts equal to or less than the limits of liability for bodily injury. The Company failed to provide written request for UM/UIM limits not equal to BI Liability coverage for the 25 files noted.

1 Violation 75 Pa. C.S. §1738(d)(1) & (2)(e)

Stacking of uninsured and underinsured benefits and option to waive. (d) Forms. – (1) The named insured shall be informed that he may exercise the waiver of the stacked limits of uninsured motorist coverage by signing the written rejection form. (2) The named insured shall be informed that he may exercise the waiver of the stacked limits of underinsured motorist coverage by signing the written rejection form. (e) Signature and date. – The forms described in subsection (d) must be signed by the first named insured and dated to be valid. Any rejection form that does not comply with this section is void. The Company failed to retain a copy of the signed rejection of stacked limits for UM/UIM coverage for the file noted.

The following concern was noted:

CONCERN: Under Title 75 there is a provision pertaining to collision coverage on rental vehicles. Specifically, that Companies are required to have a notice written in clear, plain language printed on the first page of the policy in boldface capital letters. The Company failed to consistently provide the statement for rental vehicle collision coverage on the first page of the policy declaration. In some instances, it is on the second and third pages of the policy copies. The Company needs to correct this to ensure that the notice for 75 C.S. § 1725 is shown on the first page of the policy declaration.

Private Passenger Automobile Rating – New Business With Surcharges

The Company did not report any private passenger automobile new business policies with surcharges for the experience period.

2. Renewals

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

The primary purpose of the review was to measure compliance with The Casualty and Surety Rate Regulatory Act, Section 4(a) and (h) (40 P.S. §1184(a), (h)), 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 of 1998, 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 Rating – Renewals Without Surcharges

From the universe of 13,873 private passenger automobile policies identified as renewals without surcharges, 100 files were selected for review. All 100 files requested were received and reviewed. No violations were noted.

The following concern was noted:

CONCERN: Under Title 75 there is a provision pertaining to collision coverage on rental vehicles. Specifically, that Companies are required to have a notice written in clear, plain language printed on the first page of the policy in boldface capital letters. The Company failed to consistently provide the statement for rental vehicle collision coverage on the first page of the policy declaration. In some instances, it is on the second and third pages of the policy copies. The Company needs to correct this to ensure that the notice for 75 C.S. § 1725 is shown on the first page of the policy declaration.

Private Passenger Automobile Rating – Renewals With Surcharges

From the universe of 1,356 private passenger automobile policies identified as renewals with surcharges, 50 files were selected for review. All 50 files requested were received and reviewed. No violations were noted.

The following concern was noted:

CONCERN: Under Title 75 there is a provision pertaining to collision coverage on rental vehicles. Specifically, that Companies are required to have a notice written in clear, plain language printed on the first page of the policy in boldface capital letters. The Company failed to consistently provide the statement for rental vehicle collision coverage on the first page of the policy declaration. In some instances, it is on the second and third pages of the policy copies. The Company needs to correct this to ensure that the notice for 75 C.S. § 1725 is shown on the first page of the policy declaration.

B. Personal Property

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 purpose of the review was to measure compliance with Act 247, the Fire, Marine, and Inland Marine Rate Regulatory Act, Sections 4(a) and (i) (40 P.S. §1224(a), (i)), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan, and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

Homeowner Rating – New Business Without Surcharges

From the universe of 6,078 homeowner policies written as new business without surcharges during the experience period, 100 files were selected for

review. All 100 files selected were received and reviewed. No violations were noted.

Homeowner Rating – New Business With Surcharges

From the universe of 379 homeowner policies written as new business with surcharges during the experience period, 45 files were selected for review. All 45 files selected were received and reviewed. No violations were noted.

Tenant Homeowner Rating – New Business Without Surcharges

From the universe of 1,406 tenant homeowner policies written as new business without surcharges during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. No violations were noted.

Tenant Homeowner Rating – New Business With Surcharges

From the universe of 124 tenant homeowner policies written as new business with surcharges during the experience period, 40 files were selected for review. All 40 files requested were received and reviewed. No violations were noted.

Condominium Rating – New Business Without Surcharges

From the universe of 408 condominium policies written as new business without surcharges during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. No violations were noted.

Condominium Rating – New Business With Surcharges

The universe of 25 condominium policies written as new business with surcharges during the experience period was selected for review. All 25 files selected were received and reviewed. No violations were noted.

The following concern was noted:

CONCERN: Weather claim categories are identified in the company's internal rating requirements. The Company should differentiate weather claims in the rating manual.

Dwelling Fire Rating – New Business Without Surcharges

From the universe of 455 dwelling fire policies written as new business without surcharges during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The one violation noted were based on one file, resulting in an error ratio of 2%.

The following findings were noted:

1 Violation 40 P.S. §1224(a)&(i)

Rate Filings. (a) Every insurer shall file with the commissioner, except as to inland marine risks which by general custom of the business are not written according to manual rates or rating plans, every manual, minimum, class rate, rating schedule or rating plan, every other rating rule, and every modification of any of the foregoing which it proposes to use in this Commonwealth, and shall file every special rate on other than inland marine risks as mentioned in section three (a)(1) which it uses in this Commonwealth. The

filing of the aforementioned shall be made whether or not the coverage is provided on an individual or group basis and whether or not the group policy is issued in this Commonwealth or another state. Every such filing shall state the proposed effective date thereof and shall indicate the character and extent of the coverage contemplated. When a filing is not accompanied by the information upon which the insurer supports such filing, and the commissioner does not have sufficient information to determine whether such filing meets the requirements of the act he may require such insurer to furnish the information upon which it supports such filing. Any filing may be supported by (1) the experience or judgment of the insurer or rating organization making the filing, (2) the experience of other insurers or rating organizations, or (3) any other factors which the insurer or rating organization deems relevant. A filing and any supporting information shall be open to public inspection after the filing becomes effective. Specific inland marine rates on risks specially rated, made by a rating organization, shall be filed with the commissioner. (i) Beginning ninety days after the effective date of this act no insurer shall make or issue a contract or policy except in accordance with the filings or rates which are in effect for said insurer as provided in this act or in accordance with subsections (g) or (h) of this section. This subsection shall not apply to contracts or policies for inland marine risks as to which filings are not required. The Company failed to issue policies in accordance with the Company's filed and approved rates. The Company failed to apply the proper territory factor for the file noted.

Dwelling Fire Rating – New Business With Surcharges

From the universe of 37 dwelling fire policies written as new business with surcharges during the experience period, 25 files were selected for review. All 25 files selected were received and reviewed. No violations were noted.

2. Renewals

A renewal is 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 247, the Fire, Marine, and Inland Marine Rate Regulatory Act, Sections 4(a) and (i) (40 P.S. §1224(a), (i)), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan, and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

Homeowner Rating – Renewal Without Surcharges

From the universe of 4,318 homeowner policies renewed without surcharges during the experience period, 75 files were selected for review. All 75 files selected were received and reviewed. No violations were noted.

Homeowner Rating – Renewal With Surcharges

From the universe of 882 homeowner policies renewed with surcharges during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. It was determined during the course of review that the company was surcharging claims in subrogation. The Company states that claims in subrogation are an exception and should not be considered for rating. Based on this, we requested an additional universe of claims being surcharged while in subrogation. The universe consisted of 34 policies from 1/1/2018 (five of which were not in the original universe list). The 34 violations noted were based on 34 files, resulting in an error ratio of 62%.

The following findings were noted:

34 Violations 40 P.S. §1224(a)&(i)

Rate Filings. (a) Every insurer shall file with the commissioner, except as to inland marine risks which by general custom of the business are not written according to manual rates or rating plans, every manual, minimum, class rate, rating schedule or rating plan, every other rating rule, and every modification of any of the foregoing which it proposes to use in this Commonwealth, and shall file every special rate on other than inland marine risks as mentioned in section three (a)(1) which it uses in this Commonwealth. The filing of the aforementioned shall be made whether or not the coverage is provided on an individual or group basis and whether or not the group policy is issued in this Commonwealth or another state. Every such filing shall state the proposed effective date thereof and shall indicate the character and extent of the coverage contemplated. When a

filing is not accompanied by the information upon which the insurer supports such filing, and the commissioner does not have sufficient information to determine whether such filing meets the requirements of the act he may require such insurer to furnish the information upon which it supports such filing. Any filing may be supported by (1) the experience or judgment of the insurer or rating organization making the filing, (2) the experience of other insurers or rating organizations, or (3) any other factors which the insurer or rating organization deems relevant. A filing and any supporting information shall be open to public inspection after the filing becomes effective. Specific inland marine rates on risks specially rated, made by a rating organization, shall be filed with the commissioner. (i) Beginning ninety days after the effective date of this act no insurer shall make or issue a contract or policy except in accordance with the filings or rates which are in effect for said insurer as provided in this act or in accordance with subsections (g) or (h) of this section. This subsection shall not apply to contracts or policies for inland marine risks as to which filings are not required. The Company failed to issue policies in accordance with the Company's filed and approved rates. In 34 cases the Company is surcharging the policy due to a subrogation claim. The Company states that claims in subrogation are an exception and should not be considered for rating. The Company must provide proof that the refunds were issued for the 34 files noted.

The following concern was noted:

CONCERN: Weather claim categories are identified in the company's internal rating requirements. The Company should differentiate weather claims in the rating manual.

Tenant Homeowner Rating – Renewal Without Surcharges

From the universe of 1,809 tenant homeowner policies renewed without surcharges by the Company during the experience period, 50 files were selected for review. All 50 files requested were received and reviewed. No violations were noted.

Tenant Homeowner Rating – Renewal With Surcharges

From the universe of 123 tenant homeowner policies renewed with surcharges by the Company during the experience period, 40 files were selected for review. All 40 files requested were received and reviewed. It was determined during the course of review that the company was surcharging claims in subrogation. The Company states that claims in subrogation are an exception and should not be considered for rating. Based on this, we requested an additional universe of claims being surcharged while in subrogation. The universe consisted of 21 policies from 1/1/2018 (three of which were not in the original universe list). The 21 violations noted were based on 21 files, resulting in an error ratio of 49%.

The following findings were noted:

21 Violations 40 P.S. §1224(a)&(i)

Rate Filings. (a) Every insurer shall file with the commissioner, except as to inland marine risks which by general custom of the business are not written according to manual rates or rating plans, every manual, minimum, class rate, rating schedule or rating plan, every other rating rule, and every modification of any of the foregoing which it proposes to use in this Commonwealth, and shall file every special rate on other than inland marine risks as mentioned in section three (a)(1) which it uses in this Commonwealth. The filing of the aforementioned shall be made whether or not the coverage is provided on an individual or group basis and whether or not the group policy is issued in this Commonwealth or another state. Every such filing shall state the proposed effective date thereof and shall indicate the character and extent of the coverage contemplated. When a filing is not accompanied by the information upon which the insurer supports such filing, and the commissioner does not have sufficient information to determine whether such filing meets the requirements of the act he may require such insurer to furnish the information upon which it supports such filing. Any filing may be supported by (1) the experience or judgment of the insurer or rating organization making the filing, (2) the experience of other insurers or rating organizations, or (3) any other factors which the insurer or rating organization deems relevant. A filing and any supporting information shall be open to public inspection after the filing becomes effective. Specific inland marine rates on risks specially rated, made by a rating organization, shall be filed with the commissioner. (i) Beginning ninety days

after the effective date of this act no insurer shall make or issue a contract or policy except in accordance with the filings or rates which are in effect for said insurer as provided in this act or in accordance with subsections (g) or (h) of this section. This subsection shall not apply to contracts or policies for inland marine risks as to which filings are not required. The Company failed to issue policies in accordance with the Company's filed and approved rates. In 21 cases the Company is surcharging the policy due to a subrogation claim. The Company states that claims in subrogation are an exception and should not be considered for rating. The Company must provide proof that the refunds were issued for the 21 files noted.

Condominium Rating – Renewal Without Surcharges

From the universe of 346 condominium policies renewed without surcharges during the experience period, 45 files were selected for review. All 45 files selected were received and reviewed. It was determined during the course of review that there were rating issues with a condominium increased limits coverage. Based on this, we requested an additional universe of condominium claims that had the increased limits coverage. The universe consisted of 972 policies from 1/1/2018. The 972 violations noted were based on 972 files. No error ratio was calculated as we could not separate files with or without a surcharge for this issue.

The following findings were noted:

972 Violations 40 P.S. §1224(a)&(i)

Rate Filings. (a) Every insurer shall file with the commissioner, except as to inland marine risks which by general custom of the business are not written according to manual rates or rating plans, every manual, minimum, class rate, rating schedule or rating plan, every other rating rule, and every modification of any of the foregoing which it proposes to use in this Commonwealth, and shall file every special rate on other than inland marine risks as mentioned in section three (a)(1) which it uses in this Commonwealth. The filing of the aforementioned shall be made whether or not the coverage is provided on an individual or group basis and whether or not the group policy is issued in this Commonwealth or another state. Every such filing shall state the proposed effective date thereof and shall indicate the character and extent of the coverage contemplated. When a filing is not accompanied by the information upon which the insurer supports such filing, and the commissioner does not have sufficient information to determine whether such filing meets the requirements of the act he may require such insurer to furnish the information upon which it supports such filing. Any filing may be supported by (1) the experience or judgment of the insurer or rating organization making the filing, (2) the experience of other insurers or rating organizations, or (3) any other factors which the insurer or rating organization deems relevant. A filing and any supporting information shall be open to public inspection after the filing becomes effective. Specific inland marine rates on risks specially rated, made by a rating organization, shall be filed with the commissioner. (i) Beginning ninety days

after the effective date of this act no insurer shall make or issue a contract or policy except in accordance with the filings or rates which are in effect for said insurer as provided in this act or in accordance with subsections (g) or (h) of this section. This subsection shall not apply to contracts or policies for inland marine risks as to which filings are not required. The Company failed to issue policies in accordance with the Company's filed and approved rates. The Company inserted language in the rating manual requiring that a factor be used to calculate the HO-6 Base Key Premium from the HO-4 Base Key Premium, rather than referring to the already existing HO-06 Base Key Premium for Condominium policies when the insured elected the dwelling increased limits coverage for the 972 files noted. This resulted in a total overcharge of \$230,619.35. The Company has already provided proof of restitution.

Condominium Rating – Renewal With Surcharges

The universe of 33 condominium policies renewed with surcharges during the experience period was selected for review. All 33 files selected were received and reviewed. It was determined during the course of review that the company was surcharging claims in subrogation. The Company states that claims in subrogation are an exception and should not be considered for rating. Based on this, we requested an additional universe of claims being surcharged while in subrogation. The universe consisted of 5 policies from 1/1/2018 (one of which was not in the original universe list). The 5 violations noted were based on 5 files, resulting in an error ratio of 15%.

The following findings were noted:

5 Violations 40 P.S. §1224(a)&(i)

Rate Filings. (a) Every insurer shall file with the commissioner, except as to inland marine risks which by general custom of the business are not written according to manual rates or rating plans, every manual, minimum, class rate, rating schedule or rating plan, every other rating rule, and every modification of any of the foregoing which it proposes to use in this Commonwealth, and shall file every special rate on other than inland marine risks as mentioned in section three (a)(1) which it uses in this Commonwealth. The filing of the aforementioned shall be made whether or not the coverage is provided on an individual or group basis and whether or not the group policy is issued in this Commonwealth or another state. Every such filing shall state the proposed effective date thereof and shall indicate the character and extent of the coverage contemplated. When a filing is not accompanied by the information upon which the insurer supports such filing, and the commissioner does not have sufficient information to determine whether such filing meets the requirements of the act he may require such insurer to furnish the information upon which it supports such filing. Any filing may be supported by (1) the experience or judgment of the insurer or rating organization making the filing, (2) the experience of other insurers or rating organizations, or (3) any other factors which the insurer or rating organization deems relevant. A filing and any supporting information shall be open to public inspection

after the filing becomes effective. Specific inland marine rates on risks specially rated, made by a rating organization, shall be filed with the commissioner. (i) Beginning ninety days after the effective date of this act no insurer shall make or issue a contract or policy except in accordance with the filings or rates which are in effect for said insurer as provided in this act or in accordance with subsections (g) or (h) of this section. This subsection shall not apply to contracts or policies for inland marine risks as to which filings are not required. The Company failed to issue policies in accordance with the Company's filed and approved rates. In five cases the Company is surcharging the policy due to a subrogation claim. The Company states that claims in subrogation are an exception and should not be considered for rating. The Company must provide proof that the refunds were issued for the five files noted.

Dwelling Fire Rating – Renewal Without Surcharges

From the universe of 485 dwelling fire policies written as renewal business without surcharges during the experience period, 45 files were selected for review. All 45 files selected were received and reviewed. No violations were noted.

Dwelling Fire Rating – Renewal With Surcharges

From the universe of 67 dwelling fire policies written as renewal business with surcharges during the experience period, 25 files were selected for review. All 25 files selected were received and reviewed. It was determined during the course of review that the company was surcharging claims in subrogation. The Company states that claims in subrogation are

an exception and should not be considered for rating. Based on this, we requested an additional universe of claims being surcharged while in subrogation. The universe consisted of 11 policies from 1/1/2018 (three of which were not in the original universe list). The 11 violations noted were based on 11 files, resulting in an error ratio of 39%.

The following findings were noted:

11 Violations 40 P.S. §1224(a)&(i)

Rate Filings. (a) Every insurer shall file with the commissioner, except as to inland marine risks which by general custom of the business are not written according to manual rates or rating plans, every manual, minimum, class rate, rating schedule or rating plan, every other rating rule, and every modification of any of the foregoing which it proposes to use in this Commonwealth, and shall file every special rate on other than inland marine risks as mentioned in section three (a)(1) which it uses in this Commonwealth. The filing of the aforementioned shall be made whether or not the coverage is provided on an individual or group basis and whether or not the group policy is issued in this Commonwealth or another state. Every such filing shall state the proposed effective date thereof and shall indicate the character and extent of the coverage contemplated. When a filing is not accompanied by the information upon which the insurer supports such filing, and the commissioner does not have sufficient information to determine whether such filing meets the requirements of the act he may require such insurer to furnish the information upon which it supports such filing.

Any filing may be supported by (1) the experience or judgment of the insurer or rating organization making the filing, (2) the experience of other insurers or rating organizations, or (3) any other factors which the insurer or rating organization deems relevant. A filing and any supporting information shall be open to public inspection after the filing becomes effective. Specific inland marine rates on risks specially rated, made by a rating organization, shall be filed with the commissioner. (i) Beginning ninety days after the effective date of this act no insurer shall make or issue a contract or policy except in accordance with the filings or rates which are in effect for said insurer as provided in this act or in accordance with subsections (g) or (h) of this section. This subsection shall not apply to contracts or policies for inland marine risks as to which filings are not required. The Company failed to issue policies in accordance with the Company's filed and approved rates. In 11 cases the Company is surcharging the policy due to a subrogation claim. The Company states that claims in subrogation are an exception and should not be considered for rating. The Company must provide proof that the refunds were issued for the 11 files noted.

VI. 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.

The Claims review consisted of the following areas of review:

- A. Automobile Property Damage Claims
- B. Automobile Comprehensive Claims
- C. Automobile Collision Claims
- D. Automobile Total Loss Claims
- E. Automobile First Party Medical Claims
- F. Automobile First Party Medical Claims Referred to a PRO
- G. Homeowner Claims
- H. Tenant Homeowner Claims
- I. Condominium Claims
- J. Dwelling Fire Claims

The primary purpose of the review was to determine compliance with 31 Pa. 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) of the Unfair Insurance Practices Act (40 P.S. §1171.5(a)(10)(vi)).

A. Automobile Property Damage Claims

From the universe of 1,487 private passenger automobile property damage claims reported during the experience period, 75 files were selected for

review. All 75 files selected were received and reviewed. The seven violations noted were based on seven files, resulting in an error ratio of 9%.

The following findings were noted:

7 Violations 31 Pa. Code §62.3

An appraisal shall meet all applicable standards per statute. The Company failed to provide an appraisal that meets all applicable standards per statute for the seven claim files noted.

B. Automobile Comprehensive Claims

From the universe of 1,648 private passenger automobile comprehensive claims reported during the experience period, 75 files were selected for review. All 75 files selected were received and reviewed. The 2 violations noted were based on 2 files, resulting in an error ratio of 3%.

The following findings were noted:

2 Violations 31 Pa. Code §62.3

An appraisal shall meet all applicable standards per statute. The Company failed to provide an appraisal that meets all applicable standards per statute for the two claim files noted.

The following concern was noted:

CONCERN: In five files reviewed, the Company did not issue the policyholder a written notice indicating it was closing the file without payment. The Company should, in all cases of claims closed without

payment, issue a written notice to the policyholder indicating the file is being closed with no payment.

C. Automobile Collision Claims

From the universe of 2,722 private passenger automobile collision claims reported during the experience period, 100 files were selected for review. All 100 files selected were received and reviewed. The nine violations noted were based on nine files, resulting in an error ratio of 9%.

The following findings were noted:

9 Violations 31 Pa. Code §62.3

An appraisal shall meet all applicable standards per statute.

The Company failed to provide an appraisal that meets all applicable standards per statute for the nine claim files noted.

The following concern was noted:

CONCERN: In two files reviewed, the Company did not issue the policyholder a written notice indicating it was closing the file without payment. The Company should, in all cases of claims closed without payment, issue a written notice to the policyholder indicating the file is being closed with no payment.

D. Automobile Total Loss Claims

From the universe of 1,157 private passenger automobile total loss claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The eight violations noted were based on eight files, resulting in an error ratio of 16%.

The following findings were noted:

5 Violations 31 Pa. Code §62.3

An appraisal shall meet all applicable standards per statute. The Company failed to provide an appraisal that meets all applicable standards per statute for the five claim files noted.

1 Violation 31 Pa. Code §62.3(e)(4)

Applicable standards for appraisal. (e) The appraised value of the loss shall be the replacement value of the motor vehicle if the cost of repairing a motor vehicle exceeds its appraised value less salvage value, or the motor vehicle cannot be repaired to its predamaged condition. (4) 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 sales tax on the replacement cost of the vehicle for the claim file noted.

1 Violation 31 Pa. Code §62.3(e)(7)

Applicable standards for appraisal. (e) The appraised value of the loss shall be the replacement value of the motor vehicle if the cost of repairing a motor vehicle exceeds its appraised value less salvage value, or the motor vehicle cannot be repaired to its predamaged condition. (7) The appraiser is responsible for ensuring that a copy of the total loss evaluation 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 total loss evaluation within 5 days to the claimant/insured for the claim file noted.

1 Violation 75 Pa. C.S. §1161(a)(b)

A person, including an insurer or self who owns, possesses, or transfer 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.

An owner who transfers a vehicle to be destroyed or dismantled, salvaged, or recycled shall assign the certificate of title to the person to whom the vehicle is transferred.

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

E. Automobile First Party Medical Claims

From the universe of 1,118 private passenger automobile first party medical claims reported during the experience period, 50 claim files were selected for review. All 50 files requested were received and reviewed. The three violations noted were based on two files, resulting in an error ratio of 4%.

The following findings were noted:

2 Violations 31 Pa. Code §69.52(b)

An insurer shall make a referral to a PRO within 90 days of the insurer's receipt of sufficient documentation supporting the bill. An insurer shall pay bills for care that are not referred to a PRO within 30 days after the insurer receives sufficient documentation supporting the bill. If an insurer makes its referral after the 30th day and on or before the 90th day, the provider's bill for care shall be paid. The Company failed to pay medical bills within 30 days for the two claim files noted.

1 Violation 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 the 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 failed to pay interest on a medical bill not paid within 30 days for the claim file noted.

F. Automobile First Party Medical Claims Referred to a PRO

From the universe of 43 automobile first party medical claims that were referred to a peer review organization by the Company, 25 files were selected for review. All 25 files were received and reviewed. The Company was also asked to provide a copy of all peer review contracts in place during the experience period. No violations were noted.

G. Homeowner Claims

From the universe of 1,321 homeowner claims reported during the experience period, 100 files were selected for review. All 100 files selected were received and reviewed. No violations were noted.

H. Tenant Homeowner Claims

From the universe of 66 tenant homeowner claims reported during the experience period, 40 files were selected for review. All 40 files requested were received and reviewed. No violations were noted.

I. Condominium Claims

From the universe of 59 condominium homeowner claims reported during the experience period, 35 files were selected for review. All 35 files selected were received and reviewed. No violations were noted.

J. Dwelling Fire Claims

The universe of 25 owner occupied dwelling fire claims reported during the experience period was selected for review. Of the 25 files reviewed, 12 files were duplicates. A total of 13 files were reviewed. The one violation noted was based on one file, resulting in an error ratio of 4%.

The following findings were noted:

1 Violation 31 Pa. Code §146.6

Standards for prompt investigation of claims. Every insurer shall complete investigation of a claim within 30 days after notification of claim unless the investigation cannot reasonably be completed within the time. If the 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. The Company failed to provide 30/45-day status letters to the insured/claimant for the claim file noted.

VII. 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 87 consumer complaints received during the experience period and provided all consumer complaint logs requested. From the universe of 87 complaint files, 45 files were selected for review. All 45 files were received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, (40 P.S. §§1171.1 – 1171.5). Section 5(a)(11) of the Act (40 P.S. §1171.5(a)(11)), 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 individual complaint files were reviewed for the relevancy to applicable statutes and to verify compliance with 31 Pa. Code §146.5(b)(c). No violations were noted.

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

13	Cancellation/Nonrenewal	29%
6	Underwriting	13%
17	Claims Handling	38%
9	Billing / Rates	20%
<hr/>		<hr/>
45		100%

VIII. 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. Memos and underwriting rule guides were furnished for Private Passenger Automobile and Homeowners. The purpose of this review was to identify any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

IX. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with the 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 files were reviewed to verify compliance with 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 and 18 Pa. C.S. §4117(k)(1), which requires all insurers to provide an insurance fraud notice on all applications for insurance and all claim forms. No violations were noted.

The following concern was noted:

CONCERN: The Company should use 18 Pa. C.S. §4117(k)(1) with verbatim wording on all claim forms. The Company is using incorrect wording on the following forms:

Private Passenger Automobile Appraisals

X. DATA INTEGRITY

As part of the examination, the Company was sent a preliminary examination packet in accordance with NAIC uniformity standards and provided specific information relative to the exam. The purpose of the packet was to provide certain basic examination information, identify preliminary requirements and to provide specific requirements for requested data call information. Once the Company provided all requested information and data contained within the data call, the Department reviewed and validated the data to ensure its accuracy and completeness to determine compliance with Insurance Department Act Section 903(a) [40 P.S. §323.3(a)].

Several data integrity issues were found during the course of the exam. The data integrity issue of each area of review is identified below.

PPA Midterm Cancellations

Situation: As the examiners reviewed the Midterm Cancellation files of the PPA underwriting section of the exam, it was noted that not all 75 files were Midterm Cancellations.

Finding: Of the 75 midterm cancellation files reviewed, four policies were identified as a Nonrenewals.

Property Midterm Cancellations Homeowners

Situation: As the examiners reviewed the Midterm Cancellation files of the property Homeowners underwriting section of the exam, it was noted that not all 50 files were Midterm Cancellations.

Finding: Of the 50 homeowner midterm cancellation files reviewed, five policies were identified as a Nonrenewals.

Property Midterm Cancellations Tenant Homeowners

Situation: As the examiners reviewed the Midterm Cancellation files of the property Tenant Homeowners underwriting section of the exam, it was noted that not all 75 files were Midterm Cancellations.

Finding: Of the 75 Tenant Homeowner policies reviewed, eight policies were identified as a Nonrenewals.

Property Midterm Cancellations Condominium

Situation: As the examiners reviewed the Midterm Cancellation files of the property Condominium underwriting section of the exam, it was noted that not all 30 files were Midterm Cancellations.

Finding: Of the 30 Condominium Midterm Cancellation files reviewed, two policies were identified as a Nonrenewals.

Based on the data integrity findings noted above, the following violation was noted.

General Violation 40 P.S. §323.3(a)

Requires every company or person subject to examination in accordance with this act must keep and any or all computer or other recordings relating to its property, assets, business, and affairs in such manner and for such manner and for such time periods as the department, in its discretion, may require in order that

its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The violation was the result of a failure to exercise sufficient due diligence to ensure compliance with the Insurance Department Act of 1921.

XI. 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 reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.3(a), so that violations, as noted in the Report, do not occur in the future.
2. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to status letters, as noted in the Report, do not occur in the future.
3. Company must review 31 Pa. Code §62.3 with its claim staff to ensure all appraisal requirements are met, so the violations, as noted in the Report, do not occur in the future.
4. The Company must review 31 Pa. Code §62.3(e)(4) with its claim staff to ensure sales tax is included in the replacement value of the vehicles so the violations, as noted in the Report, do not occur in the future.
5. The Company must review 31 Pa. Code §62.3(e)(7) with its claim staff to ensure a copy of the total loss evaluation is provided to the insured within 5 working days so the violations, as noted in the Report, do not occur in the future.

6. The Company must review 31 Pa. Code §69.52(b) with its claim staff to ensure that first party medical bills are paid within 30 days so that the violations, as noted in the Report, do not occur in the future.
7. The Company must review and revise internal control procedures to ensure compliance with nonrenewal and cancellation notice requirements of 40 P.S. §§991.2006, 991.2006(1), and 991.2006(2) so that the violations, as noted in the Report, do not occur in the future.
8. The Company must review 40 P.S. §1224 and take appropriate measures to ensure all the personal property rating violations listed in the report do not occur in the future.
9. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option and that signed tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under 75 Pa. C.S. §1705(a)(4) do not occur in the future.
10. The Company must revise underwriting procedures to ensure that the insured is aware that he/she may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. This is to ensure that violations noted under 75 Pa. C.S. §1738(d)(1) and (2)(e) do not occur in the future.
11. The Company must review 75 Pa. C.S. §1716 with its claim staff to ensure that proper interest is paid on first party medical bills when the bills are not paid within 30 days of receipt, so the violations, as noted in this Report, do not occur in the future.

12. The Company must review 75 Pa. C.S. §1161(a)(b) to ensure that violations regarding providing the required certificate of salvage, as noted in the Report, do not occur in the future.

13. The Company must review 75 Pa. C.S. §1734 to ensure that the insured signs a request for lower limits of liability for uninsured and underinsured motorist coverage and a copy is kept in the files, so the violations, as noted in this Report, do not occur in the future.

XII. COMPANY RESPONSE

JESSICA ANN SCHLEE-GILBERT, ESQ.
Assistant Vice President & Corporate Counsel

June 29, 2023

Pennsylvania Insurance Department
Attn: Paul E. Towsen III
Property and Casualty Division Chief
1321 Strawberry Square
Harrisburg, PA 17120

RE: Examination Warrant Number 22-M44-18
New Jersey Manufacturers Insurance Company

Dear Mr. Towsen:

On behalf of New Jersey Manufacturers Insurance Company, please accept this letter as our response to the recommendations and concerns noted in the Report of Examination dated May 31, 2023. We appreciate the opportunity to respond to the Department's findings and recommendations. Our Company Response addresses each of these individually below.

We would like to thank the Department and examiners for their professionalism and guidance provided throughout the examination. NJM strives to continuously improve our business processes and maximize the effectiveness of our operations for the exclusive benefit of our policyholders.

Please contact me should you have any questions or concerns.

Sincerely,

Jessica Schlee-Gilbert

Jessica Schlee-Gilbert
Assistant Vice President & Corporate Counsel

XII. Company Response

Recommendations

1. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.3(a), so that violations, as noted in the Report, do not occur in the future.

NJM Response: We are currently analyzing the system changes necessary to provide future data consistent with the Department's requirements for reporting nonrenewals as opposed to cancellations for particular policy scenarios.

2. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to status letters, as noted in the Report, do not occur in the future.

NJM Response: While this feedback stems from an isolated incident on a single claim, the Company has reviewed the claim handling requirements with staff to ensure compliance with the Unfair Claims Settlement Practices, as well as our existing internal control requirements. As part of our continuous process improvements, a system enhancement to automate status letters is anticipated to be complete by the end of August.

3. The Company must review 31 Pa. Code §62.3 with its claim staff to ensure all appraisal requirements are met, so the violations, as noted in the Report, do not occur in the future.

NJM Response: The Company reviewed with claim staff to ensure applicable sales tax requirements are met and will continue to monitor compliance. We have addressed our appraisal forms to align with Department requirements and will work with independent auto body shop vendors to push for compliance.

4. The Company must review 31 Pa. Code §62.3(e)(4) with its claim staff to ensure sales tax is included in the replacement value of the vehicles so the violations, as noted in the Report, do not occur in the future.

NJM Response: While this feedback stems from an isolated incident on a single claim, the Company has reviewed with claim staff to ensure applicable sales tax requirements are met, and will continue to monitor compliance.

5. The Company must review 31 Pa. Code §62.3(e)(7) with its claim staff to ensure a copy of the total loss evaluation is provided to the insured within 5 working days so the violations, as noted in the Report, do not occur in the future.

NJM Response: While this feedback stems from an isolated incident on a single claim, the Company has reviewed with claim staff to ensure compliance with the requirements.

6. The Company must review 31 Pa. Code §69.52(b) with its claim staff to ensure that first party medical bills are paid within 30 days so that the violations, as noted in the Report, do not occur in the future.

NJM Response: The Department's review identified two medical bills that were not paid within 30 days. We have taken this opportunity to review with claim staff to ensure compliance with payment of medical bills according to the 30-day requirement.

7. The Company must review and revise internal control procedures to ensure compliance with nonrenewal and cancellation notice requirements of 40 P.S. §§991.2006, 991.2006(1), and 991.2006(2) so that the violations, as noted in the Report, do not occur in the future.

NJM Response: While this feedback stems from an isolated incident on each of the above cited statutory subsections, the Company has reviewed with staff to ensure compliance with the notice requirements, as well as our existing internal control requirements. We have also implemented a system enhancement to ensure the correct state form is sent with each NJM policy and continue to pursue technical enhancements to improve internal control procedures.

8. The Company must review 40 P.S. §1224 and take appropriate measures to ensure all the personal property rating violations listed in the report do not occur in the future.

NJM Response: The Department's review identified an isolated incident related to an application of territory factors for Dwelling Fire New Business. This error was promptly corrected and the appropriate refund was issued to the policyholder.

The Department's review also identified violations stemming from clerical errors contained within Rule 507 (regarding calculation of base key premium) and Rule 498 (regarding claims in subrogation) of the Company's property rating manual. The Company promptly filed the necessary corrections to both rules. The corrections to Rule 507 were approved on January 31, 2023, and NJM completed the process of refunding any overcharges to affected policyholders with proof of restitution to the Department shortly thereafter. The corrections to Rule 498 were approved on June 9, 2023. NJM expects to complete the process of refunding any overcharges to affected policyholders within approximately four weeks and will provide proof of restitution once this process is completed.

9. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option and that signed tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under 75 Pa. C.S. §1705(a)(4) do not occur in the future.

NJM Response: While this feedback stems from an isolated incident on a single policy, the Company has reviewed with staff to ensure compliance with both the statutory requirement and our existing internal control requirement that the signed form be obtained from the insured and retained in the underwriting file.

10. The Company must revise underwriting procedures to ensure that the insured is aware that he/she may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. This is to ensure that violations noted under 75 Pa. C.S. §1738(d)(1) and (2)(e) do not occur in the future.

NJM Response: While this feedback stems from an isolated incident on a single policy, the Company has reviewed with staff to ensure compliance with both the statutory requirement and our existing internal control requirement that the signed form be obtained from the insured and retained in the underwriting file.

11. The Company must review 75 Pa. C.S. §1716 with its claim staff to ensure that proper interest is paid on first party medical bills when the bills are not paid within 30 days of receipt, so the violations, as noted in this Report, do not occur in the future.

NJM Response: While this feedback stems from an isolated incident on a single medical bill, the Company has reviewed this with staff to ensure ongoing compliance. The outstanding interest of \$2.10 was appropriately paid on the identified medical bill promptly following the Department's identification of this issue.

12. The Company must review 75 Pa. C.S. §1161(a)(b) to ensure that violations regarding providing the required certificate of salvage, as noted in the Report, do not occur in the future.

NJM Response: While this feedback stems from an isolated incident on a single claim, the Company has reviewed this with staff to ensure compliance with the requirements. The Company promptly resolved this occurrence by uploading a copy of the title to the claim file.

13. The Company must review 75 Pa. C.S. §1734 to ensure that the insured signs a request for lower limits of liability for uninsured and underinsured motorist coverage and a copy is kept in the files, so the violations, as noted in this Report, do not occur in the future.

NJM Response: The Company identified this issue in March 2021 and resolved it by providing each policyholder with the appropriate form at renewal.

Concerns

CONCERN: The Company is sending Notice of Cancellations with no address and phone number to contact Assigned Risk. The Company should add the telephone number and address of Assigned Risk so the insured can contact Assigned Risk if needed.

NJM Response: We will take this under advisement and will schedule a review of this revision alongside other enhancements in the future.

CONCERN: When calculating the time frame for the number of days mailed, exclude the first day (mailing date) and the last day (termination date). [see Adjudications: Pursell / Goschenhopp]

Mutual, PH91-11-24 (1992); Konek / Pennsylvania National, P91-05-55 (1992); Amareld / Safeco, PH95-02-087 (1997)]. In essence, the company must actually provide 32 days mailing. The company was only providing 30 days mailing notice.

NJM Response: The Company is working to update our systems to provide 32 days mailing notice. This enhancement is currently under review to determine the implementation timeframe.

CONCERN: Under Title 75 there is a provision pertaining to collision coverage on rental vehicles. Specifically, that Companies are required to have a notice written in clear, plain language printed on the first page of the policy in boldface capital letters. The Company failed to consistently provide the statement for rental vehicle collision coverage on the first page of the policy declaration. In some instances, it is on the second and third pages of the policy copies. The Company needs to correct this to ensure that the notice for 75 C.S. § 1725 is shown on the first page of the policy declaration.

NJM Response: The statement regarding rental vehicle collision coverage has been moved above the vehicle section on the Declarations page for policies effective May 1, 2023 and later. This will ensure that the statement consistently appears on the first page.

CONCERN: Weather claim categories are identified in the Company's internal rating requirements. The Company should differentiate weather claims in the rating manual.

NJM Response: We filed a revision to the classification/factor pages of our rating manual to include the specific weather claim categories as recommended by the Department. Our filing was approved on June 9, 2023.

CONCERN: In files reviewed, the Company did not issue the policyholder/claimant a written notice indicating it was closing the file without payment. The Company should, in all cases of claims closed without payment, issue a written notice to the policyholder/claimant indicating the file is being closed with no payment.

NJM Response: We appreciate the feedback and will take this recommendation under advisement.

CONCERN: The Company should use 18 Pa. C.S. §4117(k)(1) with verbatim wording on all claim forms. The Company is using incorrect wording on the following forms:

NJM Response: This has been resolved. The Company verified that its third-party vendor successfully implemented the change in their system to align with this requirement.