



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

**MARKET CONDUCT
EXAMINATION REPORT**

OF

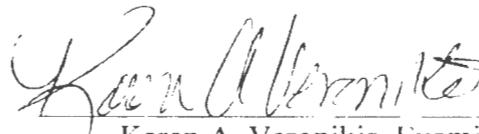
**MILLVILLE MUTUAL
INSURANCE COMPANY**
Millville, PA

**As of: March 3, 2017
Issued: April 25, 2017**

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

VERIFICATION

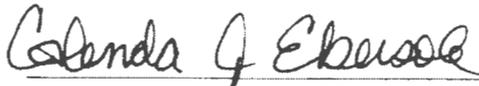
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



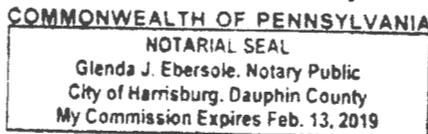
Karen A. Veronikis, Examiner-in-Charge

Sworn to and Subscribed Before me

This 23rd Day of January, 2017



Notary Public



MILLVILLE MUTUAL INSURANCE COMPANY
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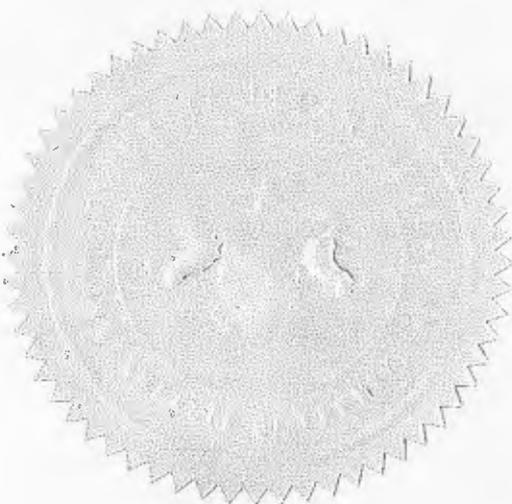
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 13th day of November, 2015, 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 Christopher R. Monahan, 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.




Teresa D. Miller
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
: :
MILLVILLE MUTUAL : 40 P.S. §§323.3(a) and 323.4(b)
INSURANCE COMPANY : :
215 State Street : 40 P.S. §310.71
Millville, PA 17846 : :
: 40 P.S. §636.1
: :
: 40 P.S. §§1171.5(a)(4), 1171.5(a)(7)(iii)
: 1171.5(a)(9), 1171.5(a)(9)(i)
: 1171.5(a)(9)(ii) and 1171.5(a)(11)
: :
: 40 P.S. §1224(a)&(i)
: :
: 18 Pa. Code §4117(k)(1)
: :
: 31 Pa. Code §§59.6(6), 146.5(a), 146.6
: and 146.7(a)(1)
: :
Respondent. : Docket No. MC17-03-006

CONSENT ORDER

AND NOW, this 25th day of April, 2017, 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 Millville Mutual Insurance Company, and maintains its address at 215 State Street, Millville, PA 17846.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from January 1, 2015 through December 31, 2015.
- (c) On March 3, 2017, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on March 31, 2017.

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

- (i) 40 P.S. §323.3(a), requires every company subject to examination to keep all books, records, accounts, papers, documents and any computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require in order that its representatives may readily ascertain whether the company has complied with the laws of this Commonwealth;
- (ii) 40 P.S. §323.4(b), requires every company or person from whom information is sought, its officers, directors and agents must provide to the examiners timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined;
- (iii) 40 P.S. §310.71, prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;

- (iv) 40 P.S. §636.1, requires that basic property insurance shall be continued 180 days after the death of the named insured on the policy or until the sale of the property, whichever event occurs first provided that the premiums for the coverage are paid;
- (v) 40 P.S. §1171.5(a)(4), prohibits unfair methods of competition and unfair or deceptive acts or practices by entering into any agreement to commit, or by any concerted action committing, any act or boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance;
- (vi) 40 P.S. §1171.5(a)(7)(iii), defines and prohibits unfair methods of competition as making or permitting any unfair discrimination between individuals of the same class and essentially the same hazard with regard to underwriting standards and practices or eligibility requirements by reason of race, religion, nationality or ethnic group, age, sex, family size, occupation, place of residence or marital status;
- (vii) 40 P.S. §1171.5(a)(9) Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact

material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner;

- (viii) 40 P.S. §1171.5(a)(9)(i), requires that a cancellation notice be approved as to form by the Insurance Commissioner prior to use.
- (ix) 40 P.S. §1171.5(a)(9)(ii), prohibits any cancellation or refusal to renew to become effective in a period of less than thirty days from the date of delivery or mailing;
- (x) 40 P.S. §1171.5(a)(11), requires a company to maintain a complete record of all the complaints it has received during the preceding four years;
- (xi) 40 P.S. §1224(a)&(i), 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, except as to inland marine risks, 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.

- (xii) 18 Pa. C.S. §4117(k)(l), states 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;

- (xiii) 31 Pa. Code §59.6(6), states that if the reason for cancellation is a substantial change or increase in hazard, the insurer shall specify the changes or increased hazards it relied on for its actions. If the reason is the failure to pay a premium, the insurer shall specify the amount due, and the date when it was due;

- (xiv) 31 Pa. Code §146.5(a), 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;

- (xv) 31 Pa. Code §146.6, states that if an investigation cannot be completed within thirty (30) days, and every forty-five (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;

- (xvi) 31 Pa. Code §146.7(a)(1), requires within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer.

CONCLUSIONS OF LAW

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

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of 40 P.S. §310.71 are punishable by the following, under (40 P.S. §310.91):
 - (i) suspension, revocation or refusal to issue the certificate of qualification or license;
 - (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
 - (iii) an order to cease and desist; and
 - (iv) any other conditions as the Commissioner deems appropriate.

- (c) Respondent's violations of 40 P.S. §636.1 are punishable by the following, under 40 P.S. §625-10: Upon determination by hearing that this act has been violated, the commissioner may issue a cease and desist order, suspend, revoke or refuse to renew the license, or impose a civil penalty of not more than \$5,000 per violation.
- (d) Respondent's violations of 40 P.S. §§1171.5(a)(4), 1171.5(a)(7)(iii), 1171.5(a)(9), 1171.5(a)(9)(i), 1171.5(a)(9)(ii) and 1171.5(a)(11) 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.
- (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).

- (f) Violations of 40 P.S. §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.

- (g) Respondent's violations of 31 Pa. Code §§146.5(a), 146.6 and 146.7(a)(1) 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.

- (h) 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 Thirty Thousand Dollars (\$30,000.00) in settlement of all violations contained in the Report.
- (c) Payment of this matter shall be made to the Commonwealth of Pennsylvania. Payment should be directed to April Phelps, Insurance Department, 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.
- (d) 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.

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

- (f) To determine Respondent's compliance with the full and timely implementation of all recommendations ("Recommendations") in the Examination Report, issued March 3, 2017, Respondent shall develop a Corrective Action plan to address the recommendations. This Corrective Action plan shall be submitted to the PA Insurance Department within thirty (30) days of the date of this Order. Additionally, the Respondent shall perform a self-audit of all issues addressed in the "Recommendations" section of the Examination Report. The self-audit shall be conducted six (6) months from the date of this order and be for the period of the three (3) preceding months, allowing for a three (3) month implementation process. The results of this self-audit shall be reported to the PA Insurance Department in written form within one (1) month of commencement of the self-audit. An additional self-audit shall be conducted twelve (12) months from the date of this order and be for the period of the six (6) preceding months. The results of this self-audit shall also be reported to the PA Insurance Department in written form within one (1) month of the commencement of this second self-audit.

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.

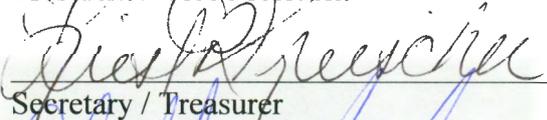
10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

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.

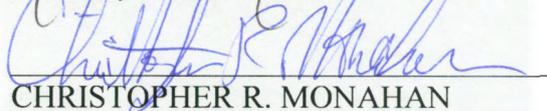
BY: MILLVILLE MUTUAL
INSURANCE COMPANY
Respondent



President / Vice President



Secretary / Treasurer



CHRISTOPHER R. MONAHAN
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The market conduct examination was conducted at the office of Millville Mutual Insurance Company, hereinafter referred to as “Company,” located in Millville, Pennsylvania from July 5, 2016, through July 13, 2016. 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 following examiners participated in this examination and in preparation of this Report.

Kelly Krakowski, MCM
Market Conduct Division Chief
Pennsylvania Insurance Department

Karen Veronikis
Market Conduct Examiner
Pennsylvania Insurance Department

Joshua Taylor
Market Conduct Examiner
Pennsylvania Insurance Department

Lindsi Swartz
Market Conduct Examiner
Pennsylvania Insurance Department

Paul Towsen
Market Conduct Examiner
Pennsylvania Insurance Department

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Millville Mutual Insurance Company, at its office located in Millville, 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, 2015, through December 31, 2015, 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. Personal Property
 - Underwriting - Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, and declinations.
 - Rating - Proper use of all classification and rating plans and procedures.
2. Claims
3. Forms
4. Advertising
5. Complaints
6. Producer Licensing
7. Data Integrity

8. MCAS Reporting - Property

III. COMPANY HISTORY

Millville Mutual Insurance Company was incorporated on September 7, 1875, licensed by the Department on September 17, 1875, and commenced business on September 17, 1875 under a mutual company charter. The Company is a property and casualty insurance company licensed in the Commonwealth of Pennsylvania and has a 140-year history of providing property owners with needed financial security for their investment in the form of insurance. The Company's primary focus is to provide property and liability insurance for residential homes, farms, mobile homes, as well as small commercial and seasonal properties throughout rural Pennsylvania. The insurance products are marketed through a network of independent insurance agencies appointed to represent the Company. All operational and administrative functions are managed out of the Company office in Millville, PA.

LICENSING

Millville Mutual Insurance Company's Certificate of Authority to write business in the Commonwealth was last issued on September 7, 1875. The Company is licensed in Pennsylvania and New York. The Company's 2015 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$30,917,567. Premium volume related to Personal Property Direct Written Premium was reported as Fire \$8,057,196, Allied Lines \$1,877,350, Homeowners Multiple Peril \$12,367,748, and Inland Marine \$558,692.

IV. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed. Underwriting guides and supplements 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 40 P.S. §1171.5(a)(4)

States that “Unfair Methods of Competition” and “Unfair or Deceptive Acts or Practices” in the business of insurance means entering into any agreement to commit, or by concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance. The two (2) violations noted were the result of the Company’s Property Underwriting Guidelines indicating a practice of requiring supporting business for seasonal dwellings.

2 Violations 40 P.S. §1171.5(a)(7)(iii)

States that “Unfair Methods of Competition” and “Unfair or Deceptive Act or Practices” prohibits unfairly discriminating by means of making or permitting any unfair discrimination between individuals of the same class and essentially the same hazard with regard to underwriting standards and practices or eligibility requirements by reason of race, religion, nationality or ethnic group, age, sex, family size,

occupation, place of residence or marital status. The two (2) violations noted were the result of the Company's Personal Inland Marine Manual discriminating by means of occupation and age.

V. UNDERWRITING

A. Personal Property

1. 60-Day Cancellations

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

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

From the universe of 140 property policies that were cancelled within the first 60 days of new business, 41 files were selected for review. The property files consisted of 25 homeowners, five (5) tenant homeowners, five (5) owner occupied dwelling fire, one (1) mono-line personal inland marine, and five (5) mobile homeowner policies. All 41 files requested were received and reviewed. Of the 41 files reviewed, 19 files were identified as flat cancellations and one (1) file was identified as a midterm cancellation outside of the experience period. The nine (9) violations noted were based on nine (9) files, resulting in an error ratio of 22%.

The following findings were made:

8 Violations 40 P.S. §323.3(a)

40 P.S. §323.4(b)

Requires every company subject to examination to keep all books, records, accounts, papers, documents and any computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require in order that its representatives may readily ascertain whether the company has complied with the laws of this Commonwealth; requires every company or person from whom information is sought, its officers, directors and agents must provide to the examiners timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The eight (8) violations resulted from the Company's failure to provide a policy release form or notes in the file to indicate that the insured requested cancellation.

1 Violation 40 P.S. §1171.5(a)(7)(iii)

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. "Unfair Methods of Competition" and "Unfair or Deceptive Practices" in the business of insurance means: Unfairly discriminating by means of: Making or permitting any unfair discrimination between individuals of the same class and essentially the same hazard with regard to underwriting standards and practices or eligibility requirements by reason of race, religion, nationality or ethnic group, age, sex, family size, occupation, place of residence or marital status. The terms "underwriting standards and practices" or "eligibility rules" do not include the

promulgation of rates if made or promulgated in accordance with the appropriate rate regulatory act of this Commonwealth and regulations promulgated by the Commissioner pursuant to such act. The Company refused to write a property based upon place of residence within the Commonwealth of Pennsylvania for the file noted.

The following concern was noted:

CONCERN: The Company is advising the insured of his possible eligibility for insurance through the Fair Plan. The company should also include the Fair Plan address and/or phone number on any cancellation notice.

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 2,600 property policies which were cancelled midterm during the experience period, 145 files were selected for review. The property files consisted of 75 homeowners, 15 tenant homeowners, 25 mobile homeowners, 20 owner occupied dwelling fire, and 10 mono-line personal inland marine policies. All 145 files were received and reviewed.

Of the 145 files reviewed, one (1) file was identified as a property 60-day cancellation. The 115 violations noted were based on 94 files, resulting in an error ratio of 65%.

The following findings were made:

3 Violations 40 P.S. §1171.5(a)(9)

40 P.S. §636.1

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. In addition, basic property insurance shall be continued one hundred and eighty days after the death of named insured on the policy or until the sale of the property, whichever event occurs first provided that the premiums for the coverage are paid. The Company failed to document that property insurance was provided one hundred and eighty days after the death of the named insured for the three (3) files noted.

10 Violations 40 P.S. §1171.5(a)(9)

Adjudication: Lichter/State Farm, PH99-12-018 (2000)

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company failed to establish a substantial increase in hazard at the time the notice was issued to the insured for the 10 files noted.

3 Violations 40 P.S. §1171.5(a)(9)

Adjudications: Yorktowne Mutual Ins Co/Insurance

Department, 662 A.2d 1164 (Pa. Cmwlth. 1995)

Harris/Millville Insurance Company of NewYork, 915-11-022 (2016)

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was

obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company failed to establish a substantial increase in hazard due to owner occupancy at the time the notice of cancellation was issued to the insured for the three (3) files noted.

2 Violations 40 P.S. §1171.5(a)(9)

Adjudication: Erie Insurance Exchange/Insurance

Department, 564 A.2d 1312 (Pa. Cmwlth.

1989)

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

negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company failed to establish a substantial increase in hazard at the time the notice of cancellation was issued to the insured for the two (2) files noted.

62 Violations 40 P.S. §1171.5(a)(9)(i)

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more on a form not approved by the Insurance Commissioner prior to use. The Company failed to use a cancellation notice approved by the Commissioner for the 62 files noted.

4 Violations 40 P.S. §1171.5(a)(9)(ii)

Adjudication: Pursell/Goschenhoppem Mutual, PH91-11-24(1992)

Requires that a cancellation notice shall state the date, not less than thirty days after the date of delivery or mailing on which such cancellation or refusal to renew shall become effective. In addition, when computing the 30-day time period after the date of mailing on which the termination shall become effective, the first and 30th terminal day must be excluded. The Company did not provide the required thirty days' notice of cancellation for the four (4) files noted .

22 Violations 31 Pa. Code §59.6(6)

States that if the reason for cancellation is a substantial change or increase in hazard, the insurer shall specify the changes or increased hazards it relied on for its actions. If the reason is the failure to pay a premium, the insurer shall specify the amount due, and the date when it was due. The 22 violations noted resulted from the Company's failure to clearly and consistently identify the amount and date of premium due when the reason is non-payment of premium.

9 Violations 40 P.S. §323.3(a)

40 P.S. §323.4(b)

Requires every company subject to examination to keep all books, records, accounts, papers, documents and any computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require in order that its representatives may readily ascertain whether the company has complied with the laws of this Commonwealth; requires every company or person from whom information is sought, its officers, directors and agents must provide to the examiners timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The nine (9) violations resulted from the Company's failure to provide a policy release form or notes in the file to indicate that the insured requested cancellation.

The following concern was noted:

CONCERN: The Company is advising the insured of his possible eligibility for insurance through the Fair Plan. The company should also include the Fair Plan address and/or phone number on any cancellation notice.

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 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 818 property policies which were nonrenewed during the experience period, 95 files were selected for review. The property files consisted of 40 homeowners, 15 tenant homeowners, and 15 owner occupied dwelling fire, five (5) mono-line personal inland marine and 20 mobile homeowner policies. All 95 files were received and reviewed. Of the 95 files reviewed, 28 were identified as property midterm cancellations. The 42 violations noted were based on 42 files, resulting in an error ratio of 44%.

The following findings were made:

2 Violations 40 P.S. §1171.5(a)(9)

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company failed to send a nonrenewal notice for the two (2) files noted.

5 Violations 40 P.S. §1171.5(a)(9)(i)

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more on a form not approved by the Insurance Commissioner prior to use. The Company failed to use a cancellation notice approved by the Commissioner for the five (5) files noted.

1 Violation 40 P.S. §1171.5(a)(9)(ii)

Adjudication: Pursell/Goschenhoppen Mutual, PH91-11-24(1992)

Requires that a cancellation notice shall state the date, not less

than thirty days after the date of delivery or mailing on which such cancellation or refusal to renew shall become effective. In addition, when computing the 30-day time period after the date of mailing on which the termination shall become effective, the first and 30th terminal day must be excluded. The one (1) violation noted resulted from the Company not providing the required thirty days' notice of cancellation.

28 Violations 31 Pa. Code §59.6(6)

States that if the reason for cancellation is a substantial change or increase in hazard, the insurer shall specify the changes or increased hazards it relied on for its actions. If the reason is the failure to pay a premium, the insurer shall specify the amount due, and the date when it was due. The 28 violations noted resulted from the Company's failure to identify the amount and date of premium due when the reason is non-payment of premium.

6 Violations 40 P.S. §323.3(a)

40 P.S. §323.4(b)

Requires every company subject to examination to keep all books, records, accounts, papers, documents and any computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require in order that its representatives may readily ascertain whether the company has complied with the laws of this Commonwealth; requires every company or person from whom information is sought, its officers, directors and agents must provide to the examiners timely,

convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The six (6) violations resulted from the Company's failure to provide a policy release form or notes in the file to indicate that the insured requested cancellation.

The following concern was noted:

CONCERN: The Company is advising the insured of his possible eligibility for insurance through the Fair Plan. The company should also include the Fair Plan address and/or phone number on any cancellation 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.

From the universe of 55 property declinations, 29 files were selected for review. The property policies consisted of 10 homeowners, two (2) tenant homeowners, five (5) owner occupied dwelling fire, two (2) mono-line personal inland marine, and 10 mobile homeowners. All 29 files requested

were received and reviewed. The one (1) violation noted was based on 1 file, resulting in an error ratio of 3%.

The following finding was made:

1 Violation 40 P.S. §1171.5(a)(4)

Prohibits unfair methods of competition and unfair or deceptive acts or practices by entering into any agreement to commit, or by any concerted action committing, any act or boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in the business of insurance. The one (1) violation noted was the result of the Company requiring supporting business.

VI. RATING

A. 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 2,167 homeowner policies identified as new business without surcharges by the Company, 35 files were selected for review. All 35 policy files requested were received and reviewed. The two (2) violations noted were based on two (2) files, resulting in an error ratio of 6%.

The following findings were made:

2 Violations 40 P.S. §1224(a)&(i)

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 issue policies in accordance with the filed and approved rates. The two (2) files noted resulted in overcharges of \$2.00.

The following concern was noted:

CONCERN: Homeowner policies are subject to a surcharge for losses. Therefore, it is a concern that no surcharge disclosure plan is provided to these policyholders. The disclosure plan should state what surcharge percentage applies for paid losses as provided in the Company's rate filing and how long the surcharge will last. Notification of the surcharge disclosure requirement was provided to all companies in an Important Notice dated 9/18/1998.

Mobile Home Rating – New Business without Surcharges

From the universe of 705 mobile home policies identified as new business without surcharges by the Company, 25 files were selected for review. All 25 policy files requested were received and reviewed. The 60 violations noted were based on 60 files, resulting in an error ratio of 100%.

The following findings were made:

1 Violation 40 P.S. §1224(a)&(i)

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 correctly apply the increased contents in accordance with the filed and approved rates. The file noted resulted in an overcharge of \$1.00.

59 Violations 40 P.S. §1224(a)&(i)

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 issue policies using the correct insurance relativity factor in accordance with the filed and approved rates. The 59 files noted resulted in overcharges of \$228.00.

The following concern was noted:

CONCERN: Homeowner policies are subject to a surcharge for losses. Therefore, it is a concern that no surcharge disclosure plan is provided to these policyholders. The disclosure plan should state what surcharge percentage applies for paid losses as provided in the Company's rate filing and how long the surcharge will last. Notification of the surcharge disclosure requirement was provided to all companies in an Important Notice dated 9/18/1998.

Tenant Homeowner Rating – New Business without Surcharges

From the universe of 351 tenant homeowner policies identified as new business without surcharges by the Company, 25 files were selected for review. All 25 policy files requested were received and reviewed. The three (3) violations noted were based on three (3) files, resulting in an error ratio of 12%.

The following findings were made:

1 Violation 40 P.S. §1224(a)&(i)

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 accurately apply the renewal credit in accordance with the filed and approved rates. The one (1) file noted resulted in an undercharge of \$4.00.

2 Violations 40 P.S. §1224(a)&(i)

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 issue policies with the

proper territory factor in accordance with the filed and approved rates. The two (2) files noted resulted in an undercharge of \$5.00.

The following concern was noted:

CONCERN: Tenant Homeowner policies are subject to a surcharge for losses. Therefore, it is a concern that no surcharge disclosure plan is provided to these policyholders. The disclosure plan should state what surcharge percentage applies for paid losses as provided in the Company's rate filing and how long the surcharge will last. Notification of the surcharge disclosure requirement was provided to all companies in an Important Notice dated 9/18/1998.

Dwelling Fire – New Business Owner Occupied

From the universe of 531 dwelling fire policies identified as new business without surcharges by the Company, 25 files were selected for review. Of the 25 files selected for review, two (2) files were identified as being non-owner occupied dwelling fire policies and one (1) file was identified as a farm owners policy. All 25 policy files requested were received and reviewed. The 18 violations noted were based 18 files, resulting in an error ratio of 72%.

1 Violation 40 P.S. §1224(a)&(i)

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 apply the Delete Private Structure Coverage credit in accordance with the filed and approved rates. The file noted resulted in an overcharge of \$3.00.

17 Violations 40 P.S. §1224(a)&(i)

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 correctly apply the Inflation Guard endorsement in accordance with the filed and approved rates. The 17 files noted resulted in overcharges of \$26.00 and an undercharge of \$1.00.

2. Renewals

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

The purpose of the review was to determine compliance with Act 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 – Renewals without Surcharges

From the universe of 22,064 homeowner policies identified as renewals without surcharges, 75 files were selected for review. All 75 policy files requested were received and reviewed. The three (3) violations noted were based on three (3) files, resulting in an error ratio of 4%.

The following findings were made:

2 Violations 40 P.S. §1224(a)&(i)

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 accurately round the renewal credit in accordance with the filed and approved rates. The two (2) files noted resulted in overcharges of \$2.00.

1 Violation 40 P.S. §1224(a)&(i)

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 correctly apply the

proper territory in accordance with the filed and approved rates. The one (1) file noted resulted in an undercharge of \$19.00.

The following concern was noted:

CONCERN: Homeowner policies are subject to a surcharge for losses. Therefore, it is a concern that no surcharge disclosure plan is provided to these policyholders. The disclosure plan should state what surcharge percentage applies for paid losses as provided in the Company's rate filing and how long the surcharge will last. Notification of the surcharge disclosure requirement was provided to all companies in an Important Notice dated 9/18/1998.

Homeowner Rating – Renewals with Surcharges

From the universe of 74 homeowner policies identified as renewals with surcharges, 35 files were selected for review. All 35 policy files requested were received and reviewed. The two (2) violations noted were based on two (2) files, resulting in an error ratio of 6%.

The following findings were made:

2 Violations 40 P.S. §1224(a)&(i)

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 properly round policies in accordance with the filed and approved rates. The two (2) files noted resulted in an overcharge of \$1.00 and an undercharge of \$1.00.

The following concern was noted:

CONCERN: Homeowner policies are subject to a surcharge for losses. Therefore, it is a concern that no surcharge disclosure plan is provided to these policyholders. The disclosure plan should state what surcharge percentage applies for paid losses as provided in the Company's rate filing and how long the surcharge will last. Notification of the surcharge disclosure requirement was provided to all companies in an Important Notice dated 9/18/1998.

Mobile Homeowner Rating – Renewals without Surcharges

From the universe of 6,302 homeowner policies identified as renewals without surcharges, 25 files were selected for review. All 25 policy files requested were received and reviewed. The 726 violations noted were based on 726 files, resulting in an error ratio of 100%.

The following findings were made:

1 Violation 40 P.S. §1224(a)&(i)

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 apply the correct base rate in accordance with the filed and approved rates. The file noted resulted in an undercharge of \$3.00.

725 Violations 40 P.S. §1224(a)&(i)

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 issue policies using the correct insurance relativity factor in accordance with the filed and approved rates. The 725 files noted resulted in overcharges of \$2,482.00.

The following concern was noted:

CONCERN: Homeowner policies are subject to a surcharge for losses. Therefore, it is a concern that no surcharge disclosure plan is provided to these policyholders. The disclosure plan should state what surcharge percentage applies for paid losses as provided in the Company's rate filing and how long the surcharge will last. Notification of the surcharge disclosure requirement was provided to all companies in an Important Notice dated 9/18/1998.

Tenant Homeowner – Renewals without Surcharges

From the universe of 1,084 tenant homeowner policies identified as renewals with surcharges, 25 files were selected for review. All 25 policy files requested were received and reviewed. The five (5) violations noted were based on five (5) files, resulting in an error ratio of 20%.

The following findings were made:

5 Violations 40 P.S. §1224(a)&(i)

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 apply the renewal credit in accordance with the filed and approved rates. The five (5) files noted resulted in undercharges of \$27.00.

The following concern was noted:

CONCERN: Tenant Homeowner policies are subject to a surcharge for losses. Therefore, it is a concern that no surcharge disclosure plan is provided to these policyholders. The disclosure plan should state what surcharge percentage applies for paid losses as provided in the Company's rate filing and how long the surcharge will last. Notification of the surcharge disclosure requirement was provided to all companies in an Important Notice dated 9/18/1998.

Tenant Homeowner – Renewals with Surcharges

The universe of one (1) tenant homeowner policy identified as a renewal with surcharge was selected for review. The one (1) file requested was received and reviewed. No violations were noted.

The following concern was noted:

CONCERN: Tenant Homeowner policies are subject to a surcharge for losses. Therefore, it is a concern that no surcharge disclosure plan is provided to these policyholders. The disclosure plan should state what surcharge percentage applies for paid losses as provided in the Company's rate filing and how long the surcharge will last. Notification of the surcharge disclosure requirement was provided to all companies in an Important Notice dated 9/18/1998.

Dwelling Fire – Renewals Owner Occupied

From the universe of 6,046 dwelling fire policies identified as renewals with surcharges, 25 files were selected for review. All 25 policy files requested were received and reviewed. The 65 violations noted were based on 64 files, resulting in an error ratio of 100%.

The following findings were made:

1 Violation 40 P.S. §1224(a)&(i)

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 apply the correct base rate for contents in accordance with the filed and approved rates. This resulted in an undercharge of \$1.00 for the one (1) file noted. The Company also incorrectly applied Inflation Guard resulting in an overcharge of \$2.00 for the one (1) file noted.

64 Violations 40 P.S. §1224(a)&(i)

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 correctly apply the Inflation Guard endorsement in accordance with the filed and approved rates. The 64 files noted resulted in overcharges of \$100.00 and an undercharge of \$1.00.

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.

The Claims review consisted of the following areas of review:

- A. Homeowner Claims
- B. Tenant Homeowner Claims
- C. Mobile Home Claims
- D. 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. Homeowner Claims

From the universe of 1,385 homeowner claims reported during the experience period, 100 files were selected for review. All 100 files selected were received and reviewed. The 15 violations were based on 14 files, resulting in an error ratio of 14%.

The following findings were made:

1 Violation 31 Pa. Code §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 for the one (1) file noted.

14 Violations 31 Pa. Code §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 14 files noted.

CONCERN: When the Company closes a claim file with no payment for “lack of interest” they are not providing the policyholder/claimant with written notice indicating their action. The Company should provide policyholders/claimants with written notice when a claim file is being closed due to lack of interest.

B. Tenant Homeowner Claims

The universe of 15 tenant homeowner claims reported during the experience period was selected for review. All 15 files selected were received and reviewed. The eight (8) violations were based on six (6) files, resulting in an error ratio of 40%.

The following findings were made:

1 Violation 31 Pa. Code §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 for the one (1) file noted.

6 Violations 31 Pa. Code §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 six (6) files noted.

1 Violation 31 Pa. Code §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. Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statement has been completed and received. The Company failed to accept or deny the claim within 15 working days after proof of loss was received for the one (1) file noted.

C. Mobile Home Claims

From the universe of 372 claims reported during the experience period, 25 files were selected for review. All 25 files selected were received and reviewed. The eight (8) violations noted were based on eight (8) files, resulting in an error ratio of 32%.

The following findings were made:

8 Violations 31 Pa. Code §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 eight (8) files noted.

CONCERN: When the Company closes a claim file with no payment for “lack of interest” they are not providing the policyholder/claimant with written notice indicating their action. The Company should provide policyholders/claimants with written notice when a claim file is being closed due to lack of interest.

D. Dwelling Fire Claims

From the universe of 103 dwelling fire claims reported during the experience period, 20 files were selected for review. All 20 files selected were received and reviewed. The two (2) violations noted were based on two (2) files, resulting in an error ratio of 10%.

The following findings were made:

2 Violations 31 Pa. Code §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 two (2) files noted.

CONCERN: When the Company closes a claim file with no payment for “lack of interest” they are not providing the policyholder/claimant with written notice indicating their action. The Company should provide policyholders/claimants with written notice when a claim file is being closed due to lack of interest.

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 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 and claim files were also reviewed to verify compliance with Title 18, Pa. C.S. §4117(k)(1), which requires all insurers to provide an insurance fraud notice on all applications for insurance and all claims forms.

The following findings were made:

2 Violations 18 Pa. C.S. §4117(k)(1)

All applications for insurance and all claims 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. The Company failed to provide the required fraud warning language on two (2) claim forms.

1 Violation 40 P.S. §1171.5(a)(9)(i)

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more on a form not approved by the Insurance Commissioner prior to use. The Company failed to use a cancellation notice approved by the Commissioner.

1 Violation 31 Pa. Code §59.6(6)

States that if the reason for cancellation is a substantial change or increase in hazard, the insurer shall specify the changes or increased hazards it relied on for its actions. If the reason is the failure to pay a premium, the insurer shall specify the amount due, and the date when it was due. The one (1) violation noted resulted from the Company's failure to clearly and consistently identify the amount and date of premium due when the reason is non-payment of premium.

The following concerns were noted:

CONCERN: It is a concern that the Company is not maintaining current rating manuals for homeowners, mobile homeowners, and owner occupied dwelling fire policies. The rating manuals that were provided to the Department did not contain all of the filed and approved rates and/or rules necessary to manually rate a policy. The Company should maintain current rating manuals for homeowners, mobile homeowners, and owner occupied dwelling fire policies.

CONCERN: The Company is advising the insured of their possible eligibility for insurance through the Fair Plan. The Company should also include the Fair Plan address and/or phone number on the cancellation notice.

IX. ADVERTISING

The Company was requested to provide copies of all advertising, sales material and internet advertisements in use during the experience period. The Company provided 1,603 pieces of advertising which included brochures, newspaper and magazine ads, mail solicitation, radio and television media, and sports advertising in arena and stadiums. Internet advertising was also reviewed.

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. 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 26 consumer complaints received during the experience period and provided all consumer complaint logs requested. The universe of 26 complaint files was selected for review. Of the 26 complaint files, three (3) files were found to be commercial policies.

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).

The following findings were made:

2 Violations 31 Pa. Code §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 two (2) files noted.

2 Violations 40 P.S. §1171.5(a)(9)

Adjudication: Lichter/StateFarm, PH99-12-018 (2000)

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company failed to establish a substantial increase in hazard at the time the notice of cancellation was sent to the insured for two (2) files noted.

2 Violations 40 P. S. §1171.5(a)(9)

*Adjudication: Yorktowne Mutual Ins. Co/Insurance Department,
662 A.2d 1164 (Pa. Cmwlth.1995)*

*Harris/Millville Insurance Company of New York,
915-11-022 (2016)*

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the

hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company failed to establish a substantial change or increase in hazard due to owner occupancy at the time the notice of cancellation was sent to the insured for the two (2) files noted.

1 Violation 40 P.S. §1171.5(a)(11)

Failure of any person to maintain a complete record of all the complaints which it has received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of the complaint, the disposition of these complaints and the time it took to process each complaint. For the violation noted, the Company failed to provide a complete complaint register by not recording the time it took to process one of the complaints.

4 Violations 40 P.S. §1171.5(a)(11)

40 P.S. §323.3(a)

Failure of any person to maintain a complete record of all the complaints which it has received during the preceding four years. Every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property assets, business and affairs in such manner and for such time periods

as the department, 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 complaint logs/registers for 2011, 2012, 2013, and 2014 do not record written underwriting or claim complaints the Company received directly from the insured or claimant.

2 Violations 40 P.S. §323.3(a)

40 P.S. §323.4(b)

Requires every company subject to examination to keep all books, records, accounts, papers, documents and any computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require in order that its representatives may readily ascertain whether the company has complied with the laws of this Commonwealth; requires every company or person from whom information is sought, its officers, directors and agents must provide to the examiners timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The Company failed to maintain a complete file. Compliance could not be determined for the two (2) files noted.

The following synopsis reflects the nature of the 26 complaints that were reviewed

14	Cancellation/Nonrenewal	54%
<u>12</u>	Claims Related	<u>46%</u>
26		100%

XI. PRODUCER LICENSING

In order to determine compliance by the Company and its agency force with the licensing requirements applicable to Section 641.1-A(a) and Section 671-A of the Insurance Department Act No. of 1921, (40 P.S. §§310.41(a)a, 310.71), 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 and rating files were checked to verify proper licensing and appointment.

The following findings were noted:

21 Violations 40 P.S. §310.71

- (a) Representative of the insurer – An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.
- (b) Representative of the consumer – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:
 - (1) Delineates the services to be provided; and
 - (2) Provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.
- (c) Notification to Department – An insurer that appoints an insurance producer shall file with the Department a notice of appointment. The notice shall state for which companies within the

insurer's holding company system or group the appointment is made.

(d) Termination of appointment – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer's license is suspended, revoked or otherwise terminated.

(e) Appointment fee – An appointment fee of \$15 will be billed annually to the insurer for each producer appointed by the insurer during the preceding calendar year regardless of the length of time the producer held the appointment with the insurer. The appointment fee may be modified by regulation.

(f) Reporting – An insurer shall, upon request, certify to the Department the names of all licensees appointed by the insurer.

The following producers were found to be writing the Company's policies but were not found in Insurance Department records as having an appointment. The Company failed to file a notice of appointment and submit appointment fees to the Department.

Allen A. Shaffer Jr & Son Ins Agency LLC

Kriner Insurance Group DBA E C Stainbrook Ins Agency

Groninger Insurance Agency LLC

Lighthouse Insurance Agency Inc.

Petruzzi Insurance Agency

The Blessing Insurance Agency Inc.

Gunn – Mowery LLC

Siegel Insurance Inc.

Thrush Insurance Agency LLC

ESS Nextier Insurance Group LLC
Marshall Insurance Services, Inc.
Turner Insurance Agency Inc.
W. E. Swanson Insurance Agency LLC
First National Insurance Agency LLC
Williams Insurance Services LTD
The Coup Agency Inc.
Nesmith Insurance Agency A Division of Great Lakes Ins
Michael E. Moore
Shedlauskas Insurance LLC
Eshenbaugh Insurance LLC
Watson Insurance Agency LLC

XII. 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 of 1921, Section 904(b) (40 P.S. §323.4(b)). Several data integrity issues were found during the on-site portion of the exam.

The data integrity issue of each area of review is identified below.

60- Day Cancellations

Situation: As the examiners reviewed the 60-day cancellation files of the underwriting section, it was noted that not all the 41 files selected for review were 60-day cancellation files.

Finding: Of the 41 60-day cancellation files reviewed, one (1) file was identified as midterm cancellation and 19 files were identified as flat cancellations.

Homeowner Midterm Cancellations

Situation: As the examiners reviewed the homeowner midterm cancellation files of the exam, it was noted that not all the 145 files selected for review were midterm cancellation files.

Finding: One (1) file was identified as 60-day cancellation file.

Homeowner Nonrenewals

Situation: As the examiners reviewed the homeowner nonrenewal files, it was noted that not all the 95 files selected for review were nonrenewal files.

Finding: Of the 95 nonrenewal files reviewed, 28 files were identified as midterm cancellations.

Dwelling Fire Owner Occupied New Business

Situation: As the examiners reviewed the dwelling fire owner occupied new business files, it was noted that not all the 25 files selected for review were dwelling fire owner occupied new business files.

Finding: Of the 25 dwelling fire owner occupied new business files reviewed, two (2) files were identified as non-owner occupied dwelling fire new business and one (1) file was identified as a farm-owner dwelling fire new business.

Consumer Complaints

Situation: As the examiners reviewed the consumer complaint files, it was noted that not all the 26 files selected for review were for owner-occupied properties.

Finding: Of the 26 consumer complaint files reviewed, three (3) files were identified as commercial.

The following finding was made:

General Violation 40 P.S. §323.4(b)

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The violation resulted in the failure to exercise sufficient due diligence to ensure compliance with Insurance Department Act of 1921.

XIII. MCAS REPORTING

In Pennsylvania, insurers are required annually to submit a Market Conduct Annual Statement (MCAS) to the National Association of Insurance Commissioners (NAIC). The review of MCAS data was conducted pursuant to the authority granted by Section 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the Market Conduct Annual Statement (MCAS) reporting for 2015.

The examination team reviewed the Company's 2015 MCAS Submissions. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the homeowner sections that were reviewed.

A.	Number of autos which have policies in-force at the end of the period.
B.	Number of Policies in-force at the end of the period.
C.	Number of new business policies written during the period.
D.	Number of Company-Initiated nonrenewals during the period.
E.	Number of cancellations for non-pay, non-sufficient funds or insured's request.
F.	Number of Company-Initiated cancellations that occur in the first 59 days after effective date, excluding rewrites to an affiliated Company.
G.	Number of Company-Initiated cancellations that occur 60 or more days after effective date, excluding rewrites to an affiliated Company.
H.	Number of Complaints received directly from the consumer.
I.	Number of Claims open at the beginning of the Period
J.	Number of Claims opened during the period.

K.	Number of Claims closed during the period, with payment.
L.	Number of Claims closed during the period, without payment.
M.	Number of Claims remaining open at the end of the period.
N.	Number of Claims closed with payment within 0-60 days.
O.	Number of Claims closed with payment >60 days.
P.	Number of Suits open at beginning of the period.
Q.	Number of Suits opened during the period.
R.	Number of Suits closed during the period.
S.	Number of Suits open at end of period.

The review consisted of three phases, as noted below.

Phase 1

The Company was asked to provide the claims and policy data listings that support the 2015 MCAS filing. Each list contained the claim and policy numbers for each category. The 2015 data submitted was validated to ensure the information was accurate and consistent with the information provided to the NAIC.

The following findings were made:

20 Violations 40 P.S. §323.4(b)

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The 20 violations resulted from the failure to exercise sufficient due diligence to ensure the requirement of providing data that was

consistent with the information provided to the NAIC for 11 claim categories and nine (9) underwriting categories.

Phase 2

The Company was asked to provide a record of all claims and policy data listings which supported the 2015 MCAS filings. From each universe list of 2015 data, a random sample of five (5) claims or policy files was requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations.

The following findings were made:

24 Violations 40 P.S. §323.4(b)

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The Company failed to provide accurate data for three (3) underwriting categories, one (1) complaint category and one (1) claim category.

Phase 3

A review was performed on various policies and claims provided in the Market Conduct portion of the exam to ensure the MCAS data was inclusive of all the policies applicable to each line item. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations.

The following findings were made:

53 Violations 40 P.S. §323.4(b)

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The Company failed to provide accurate data for nine (9) underwriting categories, four (4) claim categories, and four (4) rating categories.

XIV. 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 40 P.S. §1171.5(a)(9) to ensure that violations regarding the requirements for nonrenewal and cancellation notices, as noted in the Report, do not occur in the future.
2. The Company must review 40 P.S. §1171.5(a)(7)(iii) to ensure that violations regarding refusal to write based on age, occupation, and residence, as noted in the Report, do not occur in the future.
3. The Company must review 40 P.S. §1171.5(a)(4) to ensure that violations regarding requiring supporting business, as noted in the Report, do not occur in the future.
4. The Company must review 40 P.S. §§1171.5(a)(9) & 636.1 regarding the cancellation of property insurance after the death of the named insured to ensure that basic property coverage is maintained at least 180 days, as noted in the Report.
5. The Company must review 31 Pa. Code §59.6(6) to ensure that violations regarding cancellation or refusal to renew due to failure to pay a premium, as noted in the Report, do not occur in the future.
6. The Company must review 40 P.S. §1224 and take appropriate measures to ensure the rating violations listed in the report do not occur in the future. The premium overcharges noted in this report must be refunded to the

insured and proof of such refunds must be provided to the Insurance Department within 30 days of the report issue date.

7. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code §146.5(a), so that the violations relating to claim acknowledgement, as noted in the Report, do not occur in the future.
8. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code §146.6, so that the violations relating to providing 30 day or 45 day status letters, as noted in the Report, do not occur in the future.
9. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code §146.7(a)(1), so that the violations relating to accepting or denying a claim within 15 days, as noted in the Report, do not occur in the future.
10. The Company must review Title 18, Pa. C.S. §4117(k)(1) to ensure that violations regarding the requirement of a fraud warning on all applications and claim forms, as noted in the Report, do not occur in the future.
11. The Company must ensure all producers are properly appointed, as required by 40 P.S. §310.71, prior to accepting any business from any producer.
12. The Company must review §1171.5(a)(11) to ensure that the violations relative to complaint registers and files, as noted in the Report, do not occur in the future.

13. 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 and 323.4, so that violations noted in the Report do not occur in the future.

XV. COMPANY RESPONSE



March 30, 2017

Kelly Krakowski
Chief, Property & Casualty Division
Office of Market Regulation
Pennsylvania Insurance Department
1321 Strawberry Square
Harrisburg, PA 17120

Re: Response to the Report of Market Conduct Examination Warrant: 15-M31-023

Dear Ms. Krakowski:

On behalf of Millville Mutual Insurance Company please allow this letter to serve as our response to the Report of the Market Conduct Examination Warrant Number 15-M31-023 which was received with your cover letter dated March 3, 2017. We have reviewed the Report and respectfully submit the following responses to address the recommendations identified by the Department in the Recommendation Section at the conclusion of the Report. With respect to the other violations identified in the Report, but not addressed in the recommendations or within these responses, Millville Mutual Insurance Company wishes to note that corrective actions have been taken where necessary.

We have organized our response in relation to the recommendations set forth in the Report as follows:

Recommendation #1: The Company must review 40 P.S. § 1171.5(a)(9) to ensure that violations regarding the requirements for nonrenewal and cancellation notices, as noted in the Report, do not occur in the future.

Company Response: The Company accepts this recommendation and has addressed a number of the deficiencies identified by the Department and will be amending its procedures to ensure compliance. With respect to those situations where a policyholder has requested cancellation directly to his or her agent, as was the case here, the Company will work with its agents to assure they maintain proper documentation of such request.

Recommendation #2: The Company must review 40 P.S. § 1171.5(a)(7)(iii) to ensure that violations regarding refusal to write based on age, occupation, and residence, as noted in the Report, do not occur in the future.

Company Response: The Company accepts this recommendation and will work with its rating bureau to amend any rule in its previously filed and approved rates that could be interpreted to allow for the refusal to write business based on age, occupation or residence. The Company notes that it is not aware that this rule has ever been applied to discriminate against individuals based on age, occupation or residence.

Recommendation #3: The Company must review 40 P.S. § 1171.5(a)(4) to ensure that violations regarding requiring supporting business, as noted in the Report, do not occur in the future.

Company Response: The Company accepts this recommendation and will withdraw any reference from its previously filed and approved Underwriting Guidelines that could be interpreted as requiring supporting business for seasonal dwellings. The Company will also review its guidelines regarding the situation where an individual may be able to maintain comprehensive personal liability coverage with two different carriers, as existed here.

Recommendation #4: The Company must review 40 P.S. § 1171.5(a)(9) & 636.1 regarding the cancellation of property insurance after the death of the named insured to ensure that basic property coverage is maintained at least 180 days, as noted in the Report.

Company Response: The Company accepts this recommendation and will amend its procedures to enhance the Company's ability to determine whether the named insured has expired prior to cancelling basic property coverage before 180 days, which is consistent with the Company's current practices.

Recommendation #5: The Company must review 31 Pa. Code §59.6(6) to ensure that violations regarding cancellation or refusal to renew due to failure to pay a premium, as noted in the Report, do not occur in the future.

Company Response: The Company accepts this recommendation and has filed an amended cancellation notice (approved November 29, 2016) to supersede the previously-approved form that did not clearly identify the amount and date the original premium was due.

Recommendation #6: The Company must review 40 P.S. §1224 and take appropriate measures to ensure the rating violations listed in the report do not occur in the future. The premium overcharges noted in this report must be refunded to the insured and proof of such refunds must be provided to the Insurance Department within 30 days of the report issue date.

Company Response: The Company accepts this recommendation and has taken corrective action. The Company would like to note that a majority of these violations resulted from inadvertent coding errors in the Company's automated rating system that led to both positive and negative rate deviations, ranging from an undercharge of \$19 to an overcharge of \$7. The Company has refunded all premium overcharges and will not seek to recover any premium undercharges.

Recommendation #7: The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code §146.5(a), so that the violations related to claim acknowledgement, as noted in the Report, do not occur in the future.

Company Response: While we accept the Department's interpretation of the statute going forward, we believe our practices conform with the requirements of the statute. Notwithstanding, the Company has taken steps to assure compliance with section 146.5(a). The Company updated its claim management system in October of 2016 to enhance the generation of reminders, notices and status updates to reduce the potential for human error and ensure compliance. Additionally, the Company will reaffirm its commitment to compliance with its staff.

Recommendation #8: The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code §146.6, so that the violations related to providing 30 day or 45 day status letters, as noted in the Report, do not occur in the future.

Company Response: The Company accepts this recommendation and has taken steps to assure compliance with section 146.6, which is consistent with the Company's past practices and procedures. The Company updated its claim management system in October of 2016 to enhance the generation of reminders, notices and status updates to reduce the potential for human error and ensure compliance. Additionally, the Company will reaffirm its commitment to compliance with its staff.

Recommendation #9: The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code §146.7(a)(1), so that the violations related to providing accepting or denying a claim within 15 days, as noted in the Report, do not occur in the future.

Company Response: The Company accepts this recommendation and has taken steps to assure compliance with section 146.7(a)(1), which is consistent with the Company's past practices and procedures. The Company updated its claim management system in October of 2016 to enhance the generation of reminders, notices and status updates to reduce the potential for human error and ensure compliance. Additionally, the Company will reaffirm its commitment to compliance with its staff.

Recommendation #10: The Company must review Title 18 Pa. C.S. §4117(k)(1) to ensure that violations regarding the requirement of a fraud warning on all applications and claim forms, as noted in the Report, do not occur in the future.

Company Response: The Company accepts this recommendation and has taken steps to address the situations present in the two noted violations where an independent producer and independent adjuster used incorrect forms that did not include the appropriate fraud warning. Those steps include educating its agency force and independent adjusters on using forms that include the required fraud notice.

Recommendation #11: The Company must ensure all producers are properly appointed, as required by 40 P.S. § 310.71, prior to accepting any business from any producer.

Company Response: The Company accepts this recommendation and will verify each agency and producer's appointment status against Insurance Department records and will ensure all necessary notices and fees are remitted to the Department. The Company will also communicate to its appointed producers the need to properly notify the Company of all information required for compliance with 40 P.S. § 310.71.

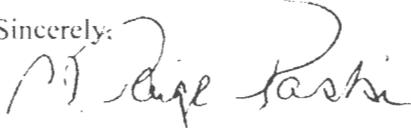
Recommendation #12: The Company must review §1171.5(a)(11) to ensure that violations relative to complaint registers and files, as noted in the Report, do not occur in the future.

Company Response: While we accept the Department's interpretation of the statute/regulation going forward, we believe our practices conform with the requirements of the law. The Company maintained the required information for all complaints it received during the time period required

by 40 P.S. § 1171.5(a)(11), and is not aware that any such complaints were not properly recorded. Nonetheless, in the future the Company will interpret "complaints" to include any written communication received that primarily expresses a grievance, and will create a database to store that information by line of business, nature of the complaint, disposition and time to process.

Thank you for your consideration on this matter and for providing us with an opportunity to respond to the Report. We wish to offer our gratitude to the Department and each individual examiner for the courtesies granted to us throughout the course of this examination.

Sincerely:

A handwritten signature in cursive script that reads "M. Paige Raski". The signature is written in dark ink and is positioned to the right of the word "Sincerely:".

M. Paige Raski
President