



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF

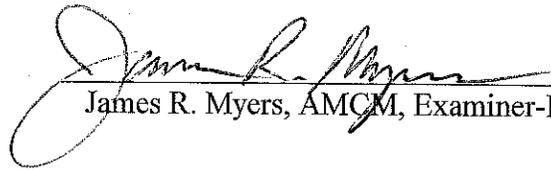
**OMNI
INSURANCE COMPANY**
Springfield, IL

As of: February 4, 2016
Issued: March 29, 2016

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

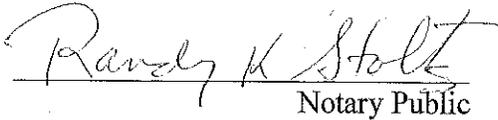
VERIFICATION

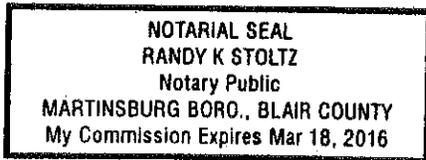
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).


James R. Myers, AMCM, Examiner-In-Charge

Sworn to and Subscribed Before me

This 30 Day of DECEMBER, 2015


Notary Public



OMNI INSURANCE COMPANY

TABLE OF CONTENTS

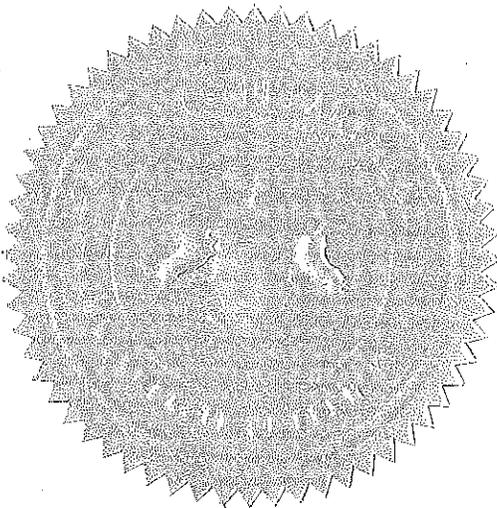
Order

I.	Introduction	1
II.	Scope of Examination	3
III.	Company History/Licensing	4
IV.	Underwriting Practices and Procedures	5
V.	Underwriting	
	A. Private Passenger Automobile	6
VI.	Rating	
	A. Private Passenger Automobile	9
VII.	Claims	16
VIII.	Consumer Complaints	21
IX.	Licensing	23
X.	Recommendations	25
XI.	Company Response	27

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:
	:	
OMNI INSURANCE COMPANY	:	40 P.S. §323.4(b)
2018 Powers Ferry Rd, STE 400	:	
Atlanta, GA 30339	:	40 P.S. §310.41a(a)
	:	
	:	40 P.S. §991.2003(d)
	:	
	:	40 P.S. §1184(h)
	:	
	:	31 Pa. Code §§62.3(b), 146.6
	:	and 146.7(a)(1)
	:	
	:	75 Pa. C.S. §§1161(a)(b)
	:	and 1738(d)(1) & (2)
	:	
	:	
Respondent.	:	Docket No. MC16-02-021

CONSENT ORDER

AND NOW, this 29th day of March, 2016, 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 Omni Insurance Company, and maintains its address at 2018 Powers Ferry Rd, STE 400, Atlanta, GA 30339.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from July 1, 2014 through June 30, 2015.
- (c) On February 4, 2016, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on March 1, 2016.

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

- (i) 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;
- (ii) 40 P.S. §310.41a(a), prohibits any entity or the appointed agent of any entity from transacting the business of insurance through anyone acting without an insurance producer license;
- (iii) 40 P.S. §991.2003(d), states that an insurer may not cancel or refuse to renew existing policies written through the terminated agent without offering each such insured coverage on a direct basis or offering to refer the insured to one or more new agents in the event the terminated agent could not find a suitable insurer acceptable to the policyholder for such business;
- (iv) 40 P.S. §1184(h), requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in this

Commonwealth and prohibits an insurer from making or issuing a contract or policy with rates other than those approved;

- (v) 31 Pa. Code §62.3(b), states an appraisal shall contain a statement that costs above the appraised amount shall be the responsibility of the vehicle owner. An appraisal shall contain a statement informing the customer that may elect their own repair shop. A statement shall be provided informing the consumer which repair facilities will be able to repair the vehicle. Incidental charges known at the time of the appraisal shall be disclosed. The appraisal shall contain a date, if any, after which towing and storage charges shall be the responsibility of the consumer;
- (vi) 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;
- (vii) 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;
- (viii) 75 Pa. C.S. §1161(a) & (b), states an insurer who owns, possesses or transfers a vehicle located or registered in the Commonwealth which qualifies

as a salvage vehicle shall make application to the Department for a certificate of salvage for that vehicle;

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

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. §310.41a(a) 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) Violations of 40 P.S. §991.2003(d), (relating to motor vehicles) of 40 P.S. are punishable by the following, under Section 991.2013: Any individual or insurer who violates any of the provisions of this article may be sentenced to pay a fine not to exceed five thousand dollars (\$5,000).

- (d) Violations 40 P.S. §1184(h) are punishable under Section 16 of the Act:
 - (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 insurer which fails to comply with an Order of the Commissioner within the time limited by such Order, or any extension thereof which the Commissioner may grant.

- (e) Respondent's violations of 31 Pa. Code §§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.

- (f) 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 Seven Thousand Five Hundred Dollars (\$7,500) 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.

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 delegate 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.

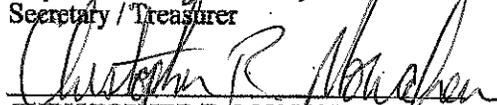
BY: OMNI INSURANCE COMPANY
Respondent



President / Vice President



Secretary / Treasurer



CHRISTOPHER R. MONAHAN
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Re-Examination was conducted at Omni Insurance Company, hereinafter referred to as the "Company", offices located in Atlanta, Georgia from September 14, 2015, to September 17, 2015, and Conshohocken, Pennsylvania from October 19, 2015, to October 22, 2015. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

The Pennsylvania Market Conduct Re-Examination Report, hereinafter referred to as the "Report", generally notes only those items to which the Department, after review, takes exception. However, the 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 re-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.

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 re-examination and in preparation of the Report.

Kelly Krakowski, MCM
Market Conduct Division Chief
Pennsylvania Insurance Department

James R Myers, AMCM
Market Conduct Examiner
INS Regulatory Insurance Services

Linda Miller, MCM
Market Conduct Examiner
INS Regulatory Insurance Services

II. SCOPE OF EXAMINATION

The Market Conduct Re-Examination was conducted on Omni Insurance Company at their offices in Atlanta, Georgia and Conshohocken, Pennsylvania. The re-examination was conducted pursuant to Sections 903 & 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of July 1, 2014 through June 30, 2015, unless otherwise noted. The purpose of the re-examination was to determine the Company's compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

1. Private Passenger Automobile
 - Underwriting - Appropriate and timely notices of nonrenewal and midterm cancellations
 - Rating – Proper use of all classification and rating plans and procedures
2. Claims
3. Consumer Complaints
4. Licensing

III. COMPANY HISTORY AND LICENSING

Omni Insurance Company was incorporated on June 23, 1980, under the laws of Georgia as the American Hanover Insurance Company and commenced operations on September 19, 1980. On February 19, 1981, the current title was adopted. Effective December 31, 1994, the Company re-domesticated from Georgia to Illinois. On November 30, 2006, Omni Insurance Group, Inc. was acquired by American Independent Companies, Inc., a subsidiary of Independent Insurance Investments, Inc.

LICENSING

Omni Insurance Company's Certificate of Authority to write business in the Commonwealth was issued on April 1, 2015. The Company is licensed in all states except the following: District of Columbia, Idaho, Maine, Massachusetts, Michigan, New Hampshire, New Jersey and Rhode Island. The Company's 2014 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$22,791,953. Premium volume related to the areas of this review was: Private Passenger Auto No-Fault (personal injury protection) \$5,042,751, Other Private Passenger Auto Liability \$13,068,350 and Private Passenger Auto Physical Damage \$4,680,852.

IV. UNDERWRITING PRACTICES AND PROCEDURES

As part of the re-examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed. Underwriting guides were furnished for private passenger automobile. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were found.

V. UNDERWRITING

A. Private Passenger Automobile

1. Mid-term Cancellations

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

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

From the universe of 10,051 private passenger automobile policies which were cancelled during the experience period, 100 files were selected for review. All 100 files selected were received and reviewed. The violation noted resulted in an error ratio of 1%.

The following finding was made:

1 Violation §40 P.S. 323.4

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 failure

to provide proper documentation for an insured request cancellation.

2. Nonrenewals

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

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

From the universe of 2,767 private passenger automobile files identified as nonrenewals by the Company, 150 files were selected for review. All 150 files selected were received and reviewed. The violation noted resulted in an error ratio of 1%.

The following finding was made:

1 Violation 40 P.S. §991.2003(d)

States that an insurer may not cancel or refuse to renew existing policies written through the terminated agent without offering each such insured coverage on a direct basis or offering to refer the insured to one or more new agents in the event the terminated agent could not find a suitable insurer acceptable to the policyholder for such business. The

Company failed to offer the insured coverage on a direct basis or to refer the insured to one or more new agents.

VI. RATING

A. Private Passenger Automobile

1. New Business

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

The primary purpose of the review was to measure compliance with The Casualty and Surety Rate Regulatory Act, Section 4(a) and (h) (40 P.S. §1184(a), (h)), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at that time. Files were also reviewed to determine compliance with all provisions of the Motor Vehicle Financial Responsibility Law (75 Pa. C.S. §1701-1799.7) and Act 68, Section 2005(c) (40 P.S. §991.2005(c)), which requires insurers to provide a detailed statement of the components of a premium and to specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance or as a result of any other factors.

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

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

Private Passenger Automobiles – New Business without Surcharges

From the universe of 7,700 private passenger automobile policies identified as new business without surcharges by the Company, 25 files were selected for review. All 25 files selected were received and reviewed. The 965 violations noted were based on the universe of 7,700 files, resulting in an error ratio of 13%.

The following findings were made:

964 Violations 40 P.S. §1184(h)

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. Of the 964 violations noted, 960 were the result of policies being issued incorrect comprehensive and collision base rates resulting in undercharges of \$414.15, two (2) policies were issued without proper documentation for homeowners, resulting in undercharges of \$46.24 and two (2) policies were issued without proper documentation for cell phone safety discount, resulting in undercharges of \$58.52.

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

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company did not provide the signed rejection form of stacked limits for uninsured and underinsured motorists coverage for the file noted.

CONCERN: The Company is providing declaration pages with wording related to a discount for Prior Insurance or a surcharge for Inexperienced Operators. The Company does not offer this discount or apply this type of surcharge. It is a concern that the insureds may think they are receiving these rate adjustments. The Company should remove this wording from the declaration pages.

Private Passenger Automobile – New Business with Surcharges

From the universe of 2,208 private passenger automobile policies identified as new business with surcharges by the Company, 25 files were selected for review. All 25 files selected were received and reviewed. The 352 violations noted were based on the universe of 2,208 files, resulting in an error ratio of 16%.

The following findings were made:

347 Violations 40 P.S. §1184(h)

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. Of the 347 violations noted, 343 were the result of policies being issued incorrect comprehensive and collision base rates resulting in undercharges of \$197.16, three (3) policies were issued without proper documentation for homeowners, resulting in undercharges of \$99.77 and one (1) policy was issued without proper documentation for cell phone safety discount, resulting in an undercharge of \$60.40.

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

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company did not provide the signed rejection form of stacked limits for uninsured and underinsured motorists coverage for the 5 files noted.

CONCERN: The Company is providing declaration pages with wording related to a discount for Prior Insurance or a surcharge for Inexperienced Operators. The Company does not offer this discount or apply this type of surcharge. It is a concern that the insureds may think they are receiving these rate adjustments. The Company should remove this wording from the declaration pages.

2. Renewals

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

The purpose of the review was to measure compliance with The Casualty and Surety Rate Regulatory Act, Section 4(a) and (h) (40 P.S. §1184(a), (h)), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at that time. Files were also reviewed to determine compliance with all provisions of the Motor Vehicle Financial Responsibility Law (75 Pa. C.S. §1701-1799.7) and Act 68, Section 2005(c) (40 P.S. §991.2005(c)), which requires insurers to provide a detailed statement of the components of a premium and to specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance or as a result of any other factors.

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

Private Passenger Automobile – Renewals without Surcharges

The Company was asked to provide the number of automobile renewals without surcharges relating to an error that had been discovered as a result of the examination involving comprehensive and collision premiums. The Company identified a universe of 5,167 renewal policies issued using rate

revisions 55 and 56 during the experience period. Of the 5,167 policies issued, 1,213 policies contained a rating error. The 1,213 violations were based on the universe of 5,167 files, resulting in an error ratio of 23%.

The following findings were made:

1,213 Violations 40 P.S. §1184(h)

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 1,213 violations were the result of policies being issued incorrect comprehensive and collision base rates resulting in undercharges of \$665.78.

Private Passenger Automobile – Renewals with Surcharges

The Company was asked to provide the number of automobile renewals without surcharges relating to an error that had been discovered as a result of the examination involving comprehensive and collision premiums. The Company identified a universe of 575 renewal policies issued using rate revisions 55 and 56 during the experience period. Of the 575 policies issued, 207 policies contained a rating error. The 207 violations noted were based on the universe of 575 files, resulting in an error ratio of 36%.

The following findings were made:

207 Violations 40 P.S. §1184(h)

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 207 violations were the result of policies being issued incorrect comprehensive and collision base rates resulting in undercharges of \$140.32.

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 for appraisals and direct repair programs were received and reviewed for any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. It was noted that the Company does not maintain written claim handling procedures for training or day to day handling of claims. No violations were noted.

The claims review consisted of the following areas of review:

- A. Automobile Property Damage Claims
- B. Automobile Collision Claims
- C. Automobile Comprehensive Claims
- D. Automobile Total Loss Claims
- E. Automobile First Party Benefit Claims

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

A. Automobile Property Damage Claims

From the universe of 2,178 private passenger automobile property damage claims reported during the experience period, 40 files were selected for review. All 40 files selected were received and reviewed. The violation noted resulted in an error ratio of 3%.

The following finding was made:

1 Violation 31 Pa. Code §62.3(b)

An appraisal shall contain a statement that costs above the appraised amount shall be the responsibility of the vehicle owner. An appraisal shall contain a statement informing the customer that may elect their own repair shop. A statement shall be provided informing the consumer which repair facilities will be able to repair the vehicle. Incidental charges known at the time of the appraisal shall be disclosed. The appraisal shall contain a date, if any, after which towing and storage charges shall be the responsibility of the consumer. The violation noted was the result of the Company not providing all required disclosures on the appraisal.

B. Private Passenger Automobile – Collision Claims

From the universe of 1,043 private passenger automobile collision claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 6%.

The following findings were made:

3 Violations 31 Pa. Code §62.3(b)

An appraisal shall contain a statement that costs above the appraised amount shall be the responsibility of the vehicle owner. An appraisal shall contain a statement informing the customer that may elect their own repair shop. A statement shall be provided informing the consumer which repair

facilities will be able to repair the vehicle. Incidental charges known at the time of the appraisal shall be disclosed. The appraisal shall contain a date, if any, after which towing and storage charges shall be the responsibility of the consumer. The 3 violations noted were the result of the Company not providing all required disclosures on the appraisal.

C. Private Passenger Automobile – Comprehensive Claims

From the universe of 246 private passenger automobile comprehensive claims reported during the experience period, 15 files were selected for review. All 15 files selected were received and reviewed. No violations were noted.

D. Private Passenger Automobile – Total Loss Claims

From the universe of 347 private passenger automobile total loss claims reported during the experience period, 30 files were selected for review. All 30 files selected were received and reviewed. The 3 violations noted were based on 3 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 2 files noted.

1 Violation 75 Pa. C.S. §1161(a)&(b) – Certificate of Salvage Required.

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

(b) Application for certificate of salvage. – An owner who transfers a vehicle to be destroyed or dismantled, salvaged or recycled shall assign the certificate of title to the person to whom the vehicle is transferred. Except as provided in Section 1163, the transferee shall immediately present the assigned certificate of title to the Department or an authorized agent of the Department with an application for a certificate of salvage upon a form furnished and prescribed by the Department. An insurer as defined in Section 1702 to which title to a vehicle is assigned upon payment to the insured or claimant of the replacement value of a vehicle shall be regarded as a transferee under this subsection. The file noted did not contain a Pennsylvania certificate of salvage in the Company's name.

E. Private Passenger Automobile – First Party Benefit Claims

From the universe of 1,259 private passenger automobile first party medical claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. No violations were noted.

VIII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their complaint logs for the preceding four years. The Company identified 68 consumer complaints received during the experience period and provided all complaint logs requested. Of the 68 consumer complaints received, 15 files were selected for review. All 15 files selected were received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, (40 P.S. §§1171.1-1171.5). Section 5(a)(11) of the Act (40 P.S. §1171.5(a)(11)), requires a company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. The individual complaint files were received for the relevancy to applicable statutes and to verify compliance with 31 Pa. Code §146.5(b)(c).

The following finding and concern were made:

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. The violation noted resulted from failure to accept or deny the claim within 15 working days after proof of loss was received.

CONCERN: In two (2) of the 15 complaint files reviewed, the Company received an inquiry or a complaint from the Department and did not respond within 15 working days. It is recommended the Company respond to a Department company or inquiry within 15 working days.

The following synopsis reflects the nature to the 15 complaints that were reviewed:

9	Claims Related	60%
3	Cancellations	20%
3	Accounting/Billing	20%
<hr/> 15		<hr/> 100%

IX. LICENSING

In order to determine compliance by the Company and its agency force with the licensing requirements applicable to Section 641-A(a) and Section 67-A of the Insurance Department Act No. 147 (40 P.S. §§310.41a(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 made:

2 Violations 40 P.S. §310.41a(a)

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

The following producers were found to be writing and /or soliciting policies but were not found in Insurance

Department records as holding a Pennsylvania producer license.

Delmac, Inc
Sean Laughlin t/a Best Insurance of Delaware Valley

X. RECOMMENDATIONS

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

1. The Company must reinforce its internal underwriting controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.4, so that violations noted in the Report do not occur in the future.
2. The Company must review and revise internal procedures to ensure compliance with notice requirements of 40 P.S. §991.2003(d) so that the violations regarding offering to write insureds direct as a result of a terminated agent, as noted in the Report, do not occur in the future.
3. The Company must revise underwriting procedures to ensure that the insured is aware that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. This is to ensure that violations noted under 75 Pa. C.S. §1738(d)(1) and (2) do not occur in the future.
4. The Company must review 40 P.S. §1184(h) and take appropriate measures to ensure the automobile rating violations listed in the report do not occur in the future.
5. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa.

Code §146, Unfair Claims Settlement Practices, so that the violations relating to status letters and claim acceptance and denials, as noted in the Report, do not occur in the future.

6. The Company must review 31 Pa. Code §62.3(b) with its claim staff to ensure that the consumer receives all required disclosures on appraisals.
7. The Company must review 75 Pa. C.S. §1161(a)&(b) with its claim staff to ensure that salvage certificates are obtained and are retained with the claim file.
8. The Company must ensure all producers are properly licensed as required by 40 P.S. §310.41(a) of the Insurance Department Act No. 147, prior to accepting any business from any producer.

XI. COMPANY RESPONSE

March 1, 2016



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

RE: Omni Insurance Company
Market Conduct Examination
Warrant Number: 15-M08-016

Dear Ms. Krakowski:

Omni Insurance Company (the "Company") is in receipt of your letter dated February 4, 2016 and the Department's Report of Examination covering the period of July 1, 2014, through June 30, 2015 (the "Report"). Kindly accept this letter as the Company's response to the Report.

As you know, the Company serves the unique segment of the market, namely, the non-standard automobile insurance market, in which most of its customers are interested in purchasing just the minimum level of statutory coverage. We value the opportunity to fill this significant market need and strive to maintain this coverage at affordable levels and in a very consumer friendly environment.

Our response below addresses each of the Department's recommendations starting on page 25 of the report. Although we believe the exceptions noted in the Report relate mostly to categories of either human error (which we believe are statistically insignificant) or the differing interpretations of Pennsylvania law, we accept the Report constructively in an effort to improve our procedures, and the Company is implementing the recommendations of the Department to further strengthen our compliance. To the extent the Department views certain matters to be a violation of Pennsylvania law, given the circumstances, the Company respectfully submits that none of such actions should be viewed as an intentional violation of the law or any general pattern or practice of noncompliance.

The Company appreciates the professional courtesy of your staff through the examination process. We look forward to working with you to reach a mutually agreeable resolution in the Report. If you have any questions in connection with the letter or you require any further information, please do not hesitate to call me.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Bruce Arneson", written over a horizontal line.

Bruce Arneson
President
Omni Insurance Company

2018 Powers Ferry Road, Suite 400
Atlanta, GA 30339
Phone: 770-952-4500
Toll Free: 800-777-6664

XI. COMPANY RESPONSE TO RECOMMENDATIONS

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

1. The Company must reinforce its internal underwriting controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.4, so that violations noted in the Report do not occur in the future.

Company Response: The Company will perform random audits on agent records for all insured signed forms and documentation to ensure compliance with all documentation requirements. We will also continue to ensure that Agents retain in their records a copy of all signed forms with the signed application. The agent will submit to underwriting a copy of all signed forms with the signed application for examination upon request. The agent will also submit all documentation necessary for all discounts including homeowner and cell phone safety discounts to The Company or the discount will be removed. The agent will retain a copy of a documentation submitted to the Company in their records for examination upon request.

2. The Company must review and revise internal procedures to ensure compliance with notice requirements of 40 P.S. §991.2003(d) so that the violations regarding offering to write insureds direct as a result of a terminated agent, as noted in the Report, do not occur in the future.

Company Response: The Company has corrected the programming errors that had resulted in the failure to send the insured the offer to provide coverage on a direct basis or referral to another agent. The Company will review procedures for testing and promotion of revisions to the programming to ensure this error does not occur in the future.

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

Company Response: Agents will be reminded to retain a copy of all signed UM and UIM stacking rejection forms with the signed application and with any endorsements to add a vehicle to the policy for their records. The agent will submit to underwriting a copy of all signed UM and UIM stacking rejection forms with the signed application for examination upon request. The Company's Pennsylvania Marketing Reps will also remind agents of the importance of making prospective insureds aware that they may exercise the waiver of stacked limits for UM and UIM coverage by signing written rejection forms. Additionally, the Company will perform random audits on agent records for all insured signed forms.

4. The Company must review 40 P.S. §1184(h) and take appropriate measures to ensure the automobile rating violations listed in the report do not occur in the future.

Company Response: The Company will correct any remaining inforce policies with the incorrect comprehensive and collision base rates at renewal. The Company will review procedures for testing and promotion of rate revisions to ensure this error does not occur in the future.

The agent will submit all documentation necessary for all discounts including homeowner and cell phone safety discounts to The Company or the discount will be removed. The agent will retain a copy of a documentation submitted to the Company in their records for examination upon request.

Prior Insurance is part of tiering criteria and not a separate discount. The Company will remove Prior Insurance and Inexperienced Operator from the listed discounts and surcharges section on the declarations pages. The Company will relocate the Prior Insurance indicator under either the listed driver or vehicle information section on the declaration pages. The Company is scheduled to release the revised declaration pages into production on 3/16/2016.

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

Company Response: *These violations occurred in isolated instances where the claim files were closed prior to all issues being addressed. This prevented the status letters from being generated. We have now discussed this issue with our staff.*

6. The Company must review 31 Pa. Code §62.3(b) with its claim staff to ensure that the consumer receives all required disclosures on appraisals.

Company Response: *The Company has communicated the requirements of 31 Pa. Code §62.3(b) with its independent appraisal companies to ensure the required language is included on each vehicle appraisal.*

7. The Company must review 75 Pa. C.S. §1161(a)&(b) with its claim staff to ensure that salvage certificates are obtained and are retained with the claim file.

Company Response: *The Company has communicated the requirements of 75 Pa. C.S. §1161(a)&(b) with our total loss and salvage department to ensure that salvage certificates are obtained*

and copies maintained in the claim file.

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

Company Response: The Company will verify the agency / agent license status on the Departments website during the appointment process and will not allow access for submission of business unless proper licensing is provided.