

# **OHIO DEPARTMENT OF INSURANCE**

**A  
MARKET CONDUCT EXAMINATION  
OF  
PERMANENT GENERAL ASSURANCE CORPORATION OF OHIO  
NAIC# 22906**

**As Of**

**June 30, 2004**





**Bob Taft, Governor**  
**Ann Womer Benjamin, Director**

2100 Stella Court, Columbus, OH 43215-1067  
(614) 644-2658 www.ohioinsurance.gov

Honorable Ann Womer Benjamin  
Director  
Ohio Department of Insurance  
2100 Stella Court  
Columbus, Ohio 43215-1067

Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a market conduct examination was conducted on the Ohio business of:

Permanent General Assurance Corporation of Ohio  
NAIC Company Code 22906

The examination was conducted at the Company's primary business location at:

2636 Elm Hill Pike, Suite 510, Nashville, Tennessee, 37214

and

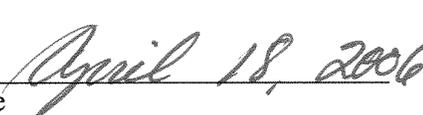
the Company's statutory home office location at:

9700 Rockside Road, Suite 250, Valley View, Ohio, 44125

A report of the examination is enclosed.

Respectfully submitted,

  
\_\_\_\_\_  
David R. Beck  
Chief, Market Conduct Division

  
\_\_\_\_\_  
Date



Accredited by the National Association of Insurance Commissioners (NAIC)  
) Consumer Hotline: 1-800-686-1526    Fraud Hotline: 1-800-686-1527    OSHIIP Hotline: 1-800-686-1578

## TABLE OF CONTENTS

FOREWORD.....	1
SCOPE OF EXAMINATION .....	1
METHODOLOGY .....	1
SAMPLING.....	2
COMPANY HISTORY .....	2
COMPANY OPERATIONS .....	2
CERTIFICATE OF AUTHORITY .....	3
MARKETING .....	3
UNDERWRITING AND RATING .....	4
GENERAL CLAIM PRACTICES .....	10
SPECIFIC CLAIM REVIEW.....	11
POLICYHOLDER SERVICES.....	17
SUMMARY.....	18
COMPANY RESPONSE .....	20

## **FOREWORD**

This examination was conducted under authority provided under Ohio Revised Code (“R.C.”) 3901.011.

## **SCOPE OF EXAMINATION**

On June 25, 2004, the Market Conduct Division, Ohio Department of Insurance (“Department”) opened an examination of Permanent General Assurance Corporation of Ohio (“Company”) by sending the Company a call letter and initial request for information. On November 15, 2004, the on-site portion of the examination began at the Company’s primary business location in Nashville, Tennessee, and continued December 1 through December 3, 2004, at the Company’s statutory home office in Valley View, Ohio.

The examination was restricted to a review of Company activities for private passenger automobile insurance policies for the period of January 1, 2003, through June 30, 2004. The examination is reported by test and was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and the State of Ohio’s applicable statutes and rules.

The examination included the following areas of the Company’s operations:

- A. Company History
- B. Company Operations
- C. Certificate of Authority
- D. Marketing
- E. Underwriting and Rating
- F. General Claim Practices
- G. Specific Claim Review
- H. Policyholder Services

## **METHODOLOGY**

As part of the examination, the Department’s examiners reviewed the Company’s automobile policy and claim files, and the Company’s corresponding procedure manuals. This information was supplemented by interviewing Company managers and with written inquiries requesting clarification and/or additional information.

Only Ohio policyholders’ files were reviewed. A series of tests were designed and applied to these files to determine the Company’s level of compliance with Ohio’s insurance statutes and rules. These tests are described and the results noted in this report.

The examiners used the NAIC’s standard of:

- 7% error ratio on claim files (93% compliance rate)
- 10% error ratio on all other files (90% compliance rate)

to determine whether an apparent pattern or practice of non-compliance existed for any given test.

The results of each test applied to a sample are reported separately. Each test is expressed as a “yes/no” question. A “yes” response indicates compliance and a “no” response indicates a failure to comply. A “no” response may be referred to in this report as an “exception.”

In any instance where errors were noted, the examiners described the apparent error and asked the Company for an explanation. The Company responded to the examiners and either:

- Concurred with the findings;
- Had additional information for the examiners to consider; and/or
- Proposed remedial action(s) to correct the apparent deficiency.

If applicable, the examiners’ recommendations are included in this report.

### **SAMPLING**

Upon request, the Company supplied reports of policy and claim data in file formats, which could be used on IBM compatible personal computers. Except as otherwise noted, all tests were conducted on a sample of files randomly selected from a given report. The samples were selected from populations consisting of Ohio policies and were selected using a standard business database application that provides a true random sample given that it supplies a random starting point from which to select the sample.

### **COMPANY HISTORY**

Permanent General Assurance Corporation of Ohio was formed as a wholly-owned subsidiary of Ingram Industries, Inc. (“Ingram”) on December 18, 1991, and commenced business in April, 1992.

On December 2, 2004, Ingram sold its interest in the Company to PGC Holdings Corp., a Delaware corporation. The Superintendent approved the sale by order dated December 1, 2004.

The Company is a wholly-owned subsidiary of PGC Holdings, which, in turn, is controlled by Capital Z Partners, Ltd., a corporation having its principal place of business in New York.

### **COMPANY OPERATIONS**

The Company is an Ohio domestic stock company and maintains its statutory home office in Valley View, Ohio. The Company writes only private passenger automobile insurance and financial responsibility bonds in Ohio. It also writes business in Tennessee, Georgia, and South Carolina. Its primary business location is in Nashville, Tennessee.

With the exception of vehicle total loss claims, all Ohio claims are serviced from the Company’s Valley View branch claims office. Total loss claims are serviced from the Company’s Nashville claims office.

The Company is a member of the Property and Casualty Insurance Association of America (“Association”). It reports its loss experience quarterly and annually to the Association’s statistical reporting agency, Independent Statistical Service.

The Company's 2003 and 2004 year-end written premiums as reported in its Financial Annual Statements appear below.

<b>2003</b>		<b>Ohio</b>	<b>National</b>
	<b><u>Line</u></b>	<b><u>Direct Written</u></b>	<b><u>Direct Written</u></b>
	Other private passenger automobile liability	\$26,007,460	\$34,303,076
	Private passenger automobile physical damage	<u>\$11,152,348</u>	<u>\$16,380,697</u>
	Totals	<u>\$37,159,808</u>	<u>\$50,683,773</u>

<b>2004</b>		<b>Ohio</b>	<b>National</b>
	<b><u>Line</u></b>	<b><u>Direct Written</u></b>	<b><u>Direct Written</u></b>
	Other private passenger automobile liability	\$26,335,943	\$42,871,935
	Private passenger automobile physical damage	<u>\$10,797,870</u>	<u>\$20,285,652</u>
	Totals	<u>\$37,133,813</u>	<u>\$63,157,587</u>

As of December 31, 2004, the officers of the Company were:

Chairman, President and CEO	Randy P. Parker
Senior Vice President, Finance, and Chief Administrative Officer	David L. Hettinger
Vice President, Controller, Treasurer, and Assistant Secretary	Brian M. Donovan
Vice President, General Counsel, and Secretary	John B. Allyn

#### **CERTIFICATE OF AUTHORITY**

The Company operates under a Certificate of Authority issued in accordance with R.C. 3929.01, which permits it to transact appropriate business as defined by R.C. 3929.01(A). In the course of the examination, the examiners determined that the Company's operations were in compliance with its Certificate of Authority.

#### **MARKETING**

The Company writes private passenger automobile insurance and financial responsibility bonds. It markets in Ohio using independent agents, captive agents appointed through its affiliate, The General Automobile Insurance Services of Ohio, Inc., and directly via its internet site, <http://www.thegeneral.com>

#### **Agent Licensing and Appointment**

##### **Methodology:**

- The Company supplied a report of all persons selling, soliciting, or negotiating for insurance or acting in any other way as an "insurance agent" as defined in R.C. 3905.01(D) during the examination period.
- The examiners tested the entire population of new business applications issued.
- Since automated data on the date that the policy was sold, solicited or negotiated was not available, the examiners used the inception date of the policy in the tests.

**Standard:** The Company shall accept solicitations only from licensed individuals.

**Test:** Were the persons reported by the Company as selling, soliciting, or negotiating for insurance licensed as required by R.C. 3905.02?

**Findings:**

Population	Yes	No	Standard	Compliance
56,654	56,654	0	90%	100%

The standard for compliance is 90%. The Company's practices met this standard.

**Standard:** The Company shall accept solicitations only from appointed individuals.

**Test:** Were the persons reported by the Company as selling, soliciting, or negotiating for insurance appointed as required by R.C. 3905.20?

**Findings:**

Population	Yes	No	Standard	Compliance
56,654	44,858	11,796	90%	79%

The standard for compliance is 90%. The Company's practices failed to meet this standard.

**Examiners' Comments:**

The examiners found 24 individuals soliciting or procuring applications without an appointment by the Company. The Company found most of the exceptions came from failures to make timely appointments of in-house phone and internet sales representatives.

Upon receiving the examiners' findings, the Company designed and implemented procedures to make certain all agents were appointed before accepting, soliciting, or procuring applications.

## UNDERWRITING AND RATING

**Credit Scoring**

**Standard:** The Company's collection, use, and disclosure of non-public personal financial information are in compliance with applicable statutes and rules.

**Test:** Did the Company's use of non-public credit score information conform with the requirements of Ohio Administrative Code ("Ohio Adm.Code") 3901-1-55?

**Test Methodology:**

- The Company supplied a report of all new business policies issued during the examination period where the applicant's credit history was a consideration in the new business underwriting/rating process.
- The examiners removed from the sample and replaced three policies where the applicant's credit history was not considered in the application process.

- The examiners considered the following to be exceptions:
  1. Any failure to notify the consumer no later than the time of application that credit history or credit score might be used in connection with underwriting or rating of the policy.
  2. Use of the applicant’s credit history or credit score as the Company’s sole new business underwriting and/or rating criteria.
  3. Failure to send “notice of adverse action” to applicants that failed to qualify for the Company’s most favorable rating plan.

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
8,031	100	5	95	90%	5%

The standard for compliance is 90%. The Company’s practices failed to meet this standard.

**Examiners’ Comments:**

The Company failed to send “notice of adverse action” to applicants not qualified for the Company’s most favorable rating tier. The Company has changed its procedures and practices to conform with the above cited regulation.

**Policy Rating—Discounts and Surcharges**

**Standard:** Credits and deviations are consistently applied on a non-discriminatory basis.

**Test:** Did the Company apply discounts and surcharges in a manner consistent with its filed classification rules and rates as required by R.C. 3937.03(H) and applied in a nondiscriminatory manner as required by R.C. 3901.20 and as defined by R.C. 3901.21(M)?

**Test Methodology:**

- The Company supplied a report of all new business policies issued during the examination period where the premium was discounted and/or surcharged.
- The examiners considered the following to be exceptions:
  1. Failure to apply all discounts and/or surcharges according to rate plans filed with the Superintendent.
  2. Failure to remove surcharges at the correct renewal term.

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
89,086	100	100	0	90%	100%

The standard for compliance is 90%. The Company’s practices met this standard.

**Forms and Filings**

**Standard:** Cancellation/non-renewal notices comply with policy provisions, state laws and company guidelines.

**Test:** Were the cancellation and nonrenewal notice forms used by the Company filed with the Superintendent as required by R.C. 3937.03(A) and (H)?

**Test Methodology:**

- The Company supplied a report of all cancellation and nonrenewal notice forms in use during the examination period and the date each form was filed.
- The examiners considered the use of any form which had not been filed with the Department to be an exception.

**Findings:** During the examination period, the Company used twenty-three (23) cancellation and nonrenewal forms which had not been filed with the Department.

**Examiners' Comments**

The Company filed the cancellation and nonrenewal notice forms as a result of the examiners' findings.

**Examiners' Recommendations**

Update procedures and practices to make certain that all cancellation and nonrenewal forms used in Ohio are filed with the Department.

**Policy Cancellation and Nonrenewal—General Methodology**

- The Company supplied a file of all policies in effect more than 90 days and subsequently terminated at the Company's request for any reason during the examination period.
- The examiners identified three populations from the terminated policy data defined by termination reason:
  1. Policies canceled for nonpayment of premium;
  2. Policies canceled at the Company's request for any reason other than nonpayment of premium; and
  3. Policies that the Company "refuse(d) to renew."
- The examiners tested the entire population of policies the Company "refuse(d) to renew" due to its small size. Samples were selected for the other two populations.
- Multiple errors in a single record were counted as one error.
- The examiners reviewed all procedures manuals as part of the examination process.

**Automobile Policy Cancellation—Nonpayment of Premium**

**Standard:** Cancellation notices comply with policy provisions, Company guidelines, and the applicable Ohio statutes and rules.

**Test:** Did the Company's cancellation procedures and practices for nonpayment of premium conform with R.C. 3937.31, 3937.32, and 3937.33?

**Test Methodology:**

- The examiners considered the following to be exceptions:
  1. Any cancellation effective with less than ten days notice.
  2. Any cancellation notice that failed to contain the statutorily required information and appeal notice.

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
164,315	100	90	10	90%	90%

The standard for compliance is 90%. The Company’s practices met this standard.

**Automobile Policy Cancellation—Other than Nonpayment of Premium**

**Standard:** Cancellation notices comply with policy provisions, Company guidelines, and the applicable Ohio statutes and rules.

**Test:** Did the Company’s cancellation procedures and practices, when the reason for cancellation is other than nonpayment of premium, conform with R.C. 3937.31, 3937.32, and 3937.33?

**Test Methodology:**

- The examiners removed from the sample and replaced 19 records which were outside the scope of this test.
- The examiners considered the following to be exceptions:
  1. Any cancellation reason other than:
    - a. the insured moving to a state where the Company is not licensed to write automobile insurance;
    - b. loss of the insured’s driving privileges; or
    - c. material misrepresentation by the insured.
  2. A notice to an insured which stated any reason for cancellation other than:
    - a. the insured moving to a state where the Company is not licensed to write automobile insurance;
    - b. loss of the insured’s driving privileges; or
    - c. material misrepresentation by the insured.
  3. Any cancellation effective with less than thirty (30) days notice to the insured.
  4. Any cancellation notice that failed to contain the required information and appeal notice.

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
360	50	0	50	90%	0%

The standard for compliance is 90%. The Company’s practices failed to meet this standard.

**Examiners' Comments:**

None of the cancellation reasons stated were compliant with the acceptable reasons for cancellation permitted by R.C. 3937.31(A). In addition, 11 notices failed to provide 30 days notice as required by R.C. 3937.32(C).

**Examiners' Recommendations:**

The examiners recommend that the Company:

1. Establish procedures and practices to generate cancellation notices which conform with R.C. 3937.31 through R.C. 3937.33.
2. Establish and implement internal audit controls to monitor and review the Company's cancellation procedures and practices at intervals of no more than a year.

**Automobile Policy Nonrenewal**

**Standard:** Non-renewal notices comply with policy provisions, Company guidelines, and the applicable Ohio statutes and rules.

**Test:** Did the Company's nonrenewal of the policy qualify as a "refusal to renew" as defined in R.C. 3937.31 and did the Company's nonrenewal procedures and practices conform with R.C. 3937.34?

**Test Methodology:**

- The examiners considered the following to be exceptions:
  1. Any "refusal to renew" when a policy was in-force for a period of less than two years.
  2. Any notice of "refusal to renew" effective on a date other than the expiration date of the policy or lacking the required information.
  3. Any "refusal to renew" effective with less than 30 days notice.

**Findings:**

Population	Yes	No	Standard	Compliance
141	105	36	90%	74%

The standard for compliance is 90%. The Company's practices failed to meet this standard.

**Examiners' Comments:**

Twenty-five of the "refusal(s) to renew" were made on other than the biennial anniversary of the inception of the policy, and 14 nonrenewals were effective with less than 30 days notice.

**Examiners' Additional Comments:**

The Company processed, through its nonrenewal system, cancellations for insureds that moved out of the Company's operating territory. When this occurred on the two-year renewal and with 30 days notice, the Company was in compliance. However, out of operating territory cancellations should be processed in the Company's cancellation system. Such cancellations are permissible only if all cancellation procedures are followed, including 30 days notice. In using

the nonrenewal system rather than the cancellation system, the Company sometimes disregarded the requirement to provide 30 days notice and/or the requirement that nonrenewals be made only on every second yearly renewal. However, if 30 days notice was provided, the Examiners did not charge an exception for nonrenewals for moving out of operating territory, because the violation was technical in nature. That is, there would have been no violation if it had been processed as a cancellation rather than a nonrenewal.

### **Examiners' Recommendations:**

The examiners recommend that the Company:

1. Process out of operating territory cancellations in its cancellation system rather than in its nonrenewal system in order to assure compliance with R.C. 3937.30 et. seq.
2. Establish procedures and practices which accurately identify those policy terminations which are "refusal(s) to renew" as defined by R.C. 3937.31 and send correct and timely notice as specified in R.C. 3937.34.
3. Establish and implement internal audit controls to monitor and review the Company's "refusal to renew" procedures and practices at intervals of no more than a year.

### **Automobile Territory Rate Classification**

#### **Methodology**

- The Company supplied a data file of new automobile policies issued during the examination period which included garaging location and the rating territory assigned for each policy.
- The Company supplied a data file outlining the territory rating codes and territory classification manuals used during the examination period.
- The examiners supplemented the territory classification manual the Company supplied with territory definitions in the Company's private passenger automobile rate and rule filing pursuant to R.C. 3937.03(A).
- The examiners used the resources of the Ohio Department of Administrative Services to determine, based on the garaging address supplied by the Company, the municipality, township and county of the garaging address.
- The examiners considered the following to be an exception:
  1. A territory assignment different from the Company's filed rate territory classification.
  2. A territory assignment resulting from a misidentified garaging location.

**Standard:** Insurers are required to issue automobile policies in a manner which conforms to their filed casualty rates, forms, and manuals of classification and/or are prohibited from issuing any policy which is unfairly discriminatory or engaging in unfair and deceptive practices.

**Test 1:** Did the Company apply automobile rating territory classifications to its automobile new business in a manner which conforms to R.C. 3901.20, and defined by the fourth from the last paragraph of R.C. 3901.21?

**Test Methodology:**

- The examiners considered any instance where the Company’s filed territory classifications resulted in different premiums charged to insureds of essentially the same risk residing within the limits of any city or village to be an exception.

**Findings:**

It appeared from the Company’s filed classification that Company’s territory classifications conformed with R.C. 3901.20, and as defined by the fourth from the last paragraph of R.C. 3901.21.

The examiners determined that the two rating territory classifications used for garaging locations in the City of Cleveland did not result in different premiums charged to insureds residing within the municipal limits of the City of Cleveland.

**Test 2:** Did the Company apply automobile rating territory classifications to its automobile new business in a manner which conforms to R.C. 3937.03(H), as required by R.C. 3901.20 and as defined by R.C. 3901.21(M)?

**Findings:**

Number of Policies	Yes	No	Standard	Compliance
56,654	51,451	5,203	90%	91%

The standard for compliance is 90%. The Company’s practices met this standard.

**Examiners’ Comments:** The examiners found the Company’s filed territory rate classifications lacked sufficient detail to conduct the compliance tests. At the instruction of the examiners, and in cooperation with the Property and Casualty Division of the Department, the Company is in the process of making revised territory rate filings. The examiners used these pending territory rate classification filings in the compliance tests.

**GENERAL CLAIM PRACTICES**

The examiners reviewed the Company’s claim procedures to determine whether the Company had procedures in place which could reasonably be expected to meet the requirements of Ohio Adm.Code 3901-1-54; to wit, timely investigation, denial of coverage and reporting of apparent fraudulent claims. The examiners also reviewed Company procedures to assure compliance with R.C. 3999.41 which requires a company to adopt an antifraud program.

The examiners found that the Company’s procedures were sufficient to establish compliance with Ohio statutes and rules.

## SPECIFIC CLAIM REVIEW

### Methodology:

- The Company supplied reports of first and third party claims closed during the examination period.
- Claims where the amount of the covered loss was less than the deductible were considered “paid” claims.
- The examiners reviewed samples to test for compliance with various sections of R.C. 3901.20 as defined by R.C. 3901.21 and Ohio Adm.Code 3901-1-07 and 3901-1-54.
- When found to be outside the scope of the examination, the examiners removed from the sample and replaced:
  - 18 Property Damage partial loss (“PD partial”) records,
  - 4 Collision total loss (“Collision total”) records,
  - 10 Property Damage total loss (“PD total”) records,
  - 14 Bodily Injury (“BI”) records, and
  - 20 Uninsured/Underinsured Motorist Bodily Injury (“UM/UIM BI”) records.

### Timely Initial Contact

**Standard:** The initial contact by the company with the claimant is within the required time frame.

**Test:** Upon receiving notice of the claim, did the Company respond within the time frame required by Ohio Adm.Code 3901-1-54(F)(2)?

### Test Methodology:

- “Initial contact” included telephone notice to the Company from the insured, third party claimant, and/or legal representative.
- The examiners considered failure to contact the claimant within ten days from the date of notice of the claim to be an exception.

### Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Findings
Collision Partial	2,118	50	50	0	93%	100%
Collision Total	775	50	50	0	93%	100%
PD Partial	4,355	50	50	0	93%	100%
PD Total	936	50	50	0	93%	100%
BI Paid	2,388	50	50	0	93%	100%
UM/UIM BI Paid	376	50	50	0	93%	100%

The standard for compliance is 93%. The Company’s practices met this standard.

### **Timely Claim Settlement**

**Standard:** Claims are resolved in a timely manner.

**Test:** Did the Company make timely settlement to claimants as required by Ohio laws and rules?

#### **Test Methodology:**

- Where a release from a lienholder or a salvage title was required to settle an automobile claim, a claim was not “payable” until the Company received the required document(s).
- The examiners considered the following to be an exception:
  1. Any claim paid to a first party claimant more than ten calendar days after the amount was known and agreed as required by Ohio Adm.Code 3901-1-54(G)(6).
  2. Any claim paid to a third party claimant more than five working days after the amount was known and agreed as required by Ohio Adm.Code 3901-1-07(C)(16).

#### **Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Findings
Collision Partial	2,118	50	49	1	93%	98%
Collision Total	775	50	50	0	93%	100%
PD Partial	4,355	50	50	0	93%	100%
PD Total	936	50	50	0	93%	100%
BI Paid	2,388	50	50	0	93%	100%
UM/UIIM BI Paid	376	50	50	0	93%	100%

The standard for compliance is 93%. The Company’s practices met this standard.

### **Use Of Non Original Equipment Manufacturer Parts In Repair Estimates**

**Standard:** Claims are properly handled in accordance with policy provisions and applicable statutes and rules.

**Test:** Where applicable, did repair estimates, prepared by the Company, or prepared on the Company’s behalf, clearly indicate when the repair estimate included replacement crash parts which were not manufactured by the Original Equipment Manufacturer (“OEM”) and was the mandated statutory disclosure wording included on the estimate as required by Ohio Adm.Code 3901-1-54(H)(4)?

#### **Test Methodology:**

- The examiners considered the following to be an exception:
  1. A repair estimate that failed to clearly show that non-OEM parts were included in the estimate.
  2. A repair estimate that failed to include the statutory mandated disclosure required when non-OEM parts are used to repair a vehicle.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Findings
Collision Partial	2,118	50	47	3	93%	94%
PD Partial	4,355	50	48	2	93%	96%

The standard for compliance is 93%. The Company’s practices met this standard.

**Examiners’ Comments:**

Upon receiving the examiners’ findings, the Company changed its repair estimating software to ensure that estimates made by its adjusters' automatically included the disclosure statement whenever non-OEM parts were used. The Company also implemented procedures to review all estimates generated by its "preferred repair shops" to make certain those repair estimates include disclosure notices where appropriate.

**Use Of “Like Kind and Quality” Parts In Repair Estimates**

**Standard:** Claims are properly handled in accordance with policy provisions and applicable statutes and rules.

**Test:** Where applicable, did repair estimates, prepared by the Company, or prepared on the Company’s behalf, clearly indicate when the repair estimated included “Like Kind and Quality” (“LKQ”) parts and the name and location of the licensed salvage dealer where the parts were to be obtained as required by Ohio Adm.Code 3901-1-54(H)(4)?

**Test Methodology:**

- The examiners considered the following to be an exception:
  1. Any repair estimate that failed to disclose that LKQ parts were used in the estimate.
  2. Any repair estimate that failed to clearly show the name and location of the licensed salvage dealer where the LKQ parts were to be obtained.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Findings
Collision Partial	2,118	50	38	12	93%	76%
PD Partial	4,355	50	41	9	93%	82%

The standard for compliance is 93%. The Company’s practices failed to meet this standard.

**Examiners’ Comments:**

Upon receiving the examiners’ findings, the Company changed its repair estimating procedures to make certain that the address as well as the name of the licensed salvage dealer appears on estimates where LKQ parts are used.

**Examiners’ Recommendations:**

The examiners recommend that the Company:

1. Establish procedures and practices which clearly identify the name and address of the licensed salvage dealer where the information on the availability and cost of the LKQ parts was obtained.
2. Establish and implement internal audit procedures to monitor and review the Company’s claims procedures and practices for LKQ parts in repair estimates at intervals of no more than a year.

**Vehicle Total Loss—Actual Cash Value**

**Standard:** Claims are properly handled in accordance with policy provisions and applicable statutes and rules.

**Test:** Did the Company’s actual cash value (“ACV”) total loss settlement calculations conform with Ohio Adm.Code 3901-1-54(H)(7)(a)-(d)?

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Findings
Collision Total	775	50	30	20	93%	60%
PD Total	936	50	30	20	93%	60%

The standard for compliance is 93%. The Company’s practices failed to meet this standard.

**Examiners’ Comments:**

The Company made two total loss settlement offers to first and third party claimants: one where the owner retains the salvage and one where the owner does not. The bulk of the examiners’ exceptions were to the Company’s practice of using a percentage factor to determine the value for owner-retained salvage to include in its ACV calculation. Most times, this factor resulted in an amount significantly above what had been bid by licensed salvage dealers for the vehicle or the gross salvage amount the Company recovered on the vehicle.

**Examiners’ Recommendations:**

The examiners recommend that the Company:

1. Establish procedures to calculate ACV on total losses in a manner that conforms with Ohio Adm.Code 3901-1-54(H)(7)(a)-(d).
2. Establish and implement internal audit procedures to monitor and review the Company’s claims procedures and practices for calculating ACV on total loss vehicles at intervals of no more than a year.

### **Vehicle Total Loss—Sales Tax**

**Standard:** Claims are properly handled in accordance with policy provisions and applicable statutes and rules.

**Test:** Did the Company pay and/or reimburse sales tax on vehicle total loss settlements as required by Ohio Adm.Code 3901-1-54(H)(7)(e)?

#### **Test Methodology:**

- The examiners considered the following to be an exception:
  1. Any failure to pay or reimburse sales tax payment/reimbursement as per Ohio Adm.Code 3901-1-54(H)(7)(e).
  2. Any failure to use local sales tax rates when paying sales tax on ACV.

#### **Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Findings
Collision Total	775	50	50	0	93%	100%
PD Total	936	50	50	0	93%	100%

The standard for compliance is 93%. The Company's claim practices met this standard.

### **Personal Injury Claim Settlement Amounts**

**Standard:** Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.

**Test:** Were the Company's claim settlements free of unfair claim settlement practices as defined and prohibited by R.C. 3901.20 as defined in R.C. 3901.21, Ohio Adm.Code 3901-1-07(C)(6), and Ohio Adm.Code 3901-1-54(E)(1), (G)(9) and (10)?

#### **Test Methodology:**

- The examiners considered the following to be an exception:
  1. Any indication of a pattern settlement.
  2. Any indication of the Company's deliberate action to compel a first-party claimant to litigate.
  3. Failure to document that the settlement amount offered and/or paid was fair and reasonable.
  4. Any indication that the Company failed to disclose to the insured all coverages available under the contract.
  5. Failure to document the application of comparative negligence to any claim settlement OR any indication that the Company failed to fully disclose such information to a claimant upon the claimant's written request.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Findings
BI Paid	2,388	50	50	0	93%	100%
UM/UIM BI Paid	376	50	50	0	93%	100%

The standard for compliance is 93%. The Company's claim practices met this standard.

**Subrogation Recovery**

**Standard:** An insurer shall include the first-party claimant's deductible, if any, in subrogation demands.

**Test:** Did the Company's subrogation demands on collision claims conform with Ohio Adm.Code 3901-1-54(H)(10)?

**Test Methodology:**

- The examiners replaced 51 records in the sample which were outside the scope of the examination test.
- The examiners considered the following to be an exception:
  1. A subrogation demand which did not include the insured's collision deductible and that deductible had not been returned to the insured directly by the adverse party or the adverse party's insurer.
  2. A subrogation recovery in excess of the Company's recovery expenses and the Company failed to return the amount of the deductible to the insured when it had not been returned to the insured directly by the adverse party or the adverse party's insurer.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Findings
Subrogation Demands	792	50	50	0	93%	100%

The standard for compliance is 93%. The Company's claim practices met this standard.

**Claims Denied**

**Standard:** "*Denied*" claims are handled in accordance with policy provisions and state law.

**Test:** When a claim was denied, did the Company's practices conform with Ohio Adm.Code 3901-1-54(G)(1),(2) and (3)?

**Test Methodology:**

- The examiners removed the entire population of denied claims reported by the Company as UM/UIM BI claims after it was determined that none of the claims were UM/UIM BI claims.
- The examiners considered the following to be an exception:
  1. Failure to respond to a demand for payment within 21 days of receipt of a properly executed proof of loss when the claim amount was known and not in dispute.

2. Failure to notify the claimant of the need for further investigation upon receipt of a properly executed proof of loss.
3. A claim denied solely on the basis the proof of loss is not on the insurer's usual form when the form of the proof of loss was not material.
4. Failure to include in its denial a specific reference to the provision, condition or exclusion that was the basis for the claim denial.
5. A claim denied to a first party on consideration that responsibility for payment should be assumed by others.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Findings
Collision Denied	7	7	6	1	93%	86%
PD Denied	334	50	50	0	93%	100%
BI Denied	61	61	60	1	93%	98%

The standard for compliance is 93%. The Company’s claim practices met this standard in two of the three populations tested.

**Examiners’ Recommendations:**

The examiners recommend that the Company:

1. Establish procedures to ensure that notices to claimants contain a specific reference to the provision, condition or exclusion that was the basis for the claim denial.
2. Establish and implement internal audit procedures to monitor and review the Company’s claims procedures and practices for notices to claimants for denied claims at intervals of no more than a year.

**POLICYHOLDER SERVICES**

**Consumer Complaints**

**Standard:** An insurer shall adopt and implement reasonable standards for the proper handling of written communications, primarily expressing grievances, received by the insurer from insureds or claimants.

**Test:** Did the Company adopt and implement reasonable standards for handling written communications, primarily expressing grievances, including procedures to make a complete investigation of an insured’s or claimant’s complaint and respond as required by Ohio Adm.Code 3901-1-07(C)(15)?

**Methodology:**

- The examiners reviewed all written procedures.
- The Company supplied a report of all consumer complaints received during the examination period regardless of source.

- The examiners reviewed the entire population of 78 consumer complaints to test for compliance with Ohio Adm.Code 3901-1-07(C)(15).
- The examiners considered the following to be an exception:
  1. A failure to respond appropriately to the consumer’s inquiry, request, or complaint.
  2. A failure to take appropriate follow up action as the result of the consumer’s inquiry, request, or complaint.

**Findings:**

Population	Yes	No	Standard	Compliance
78	78	0	90%	100%

The standard for compliance is 90%. The Company’s practices met this standard.

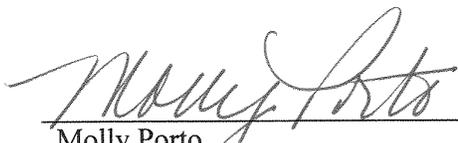
**SUMMARY**

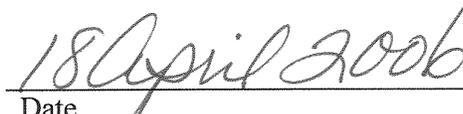
The examination found the Company to be out of compliance in the following areas:

<u>Areas of Review</u>	<u>Compliance Standard</u>	<u>Compliance Rate</u>
<b>Agent Appointment</b> The Company accepted applications from agents not appointed with the Company in apparent violation of R.C. 3905.20(A).	90%	79%
<b>Credit Scoring</b> The Company’s use of non-public credit score information did not conform with the requirements of Ohio Adm.Code 3901-1-55.	90%	5%
<b>Policy Cancellation Other Than Nonpayment of Premium</b> The Company’s cancellation practices and procedures failed to conform with R.C. 3937.31-3937.33.	90%	0%
<b>Refusal to Renew Private Passenger Automobile Policies</b> The Company’s nonrenewal practices and procedures failed to conform with R.C. 3937.34.	90%	65%
<b>Use of “Like Kind and Quality” Parts in Repair Estimates</b> First Party (Collision) partial loss repair estimates prepared by or for the Company failed to show the name and/or location of the licensed salvage dealer where the parts for the repair were to be obtained as required by Ohio Adm.Code 3901-1-54(H)(4).	93%	76%
Third Party (Property Damage) partial loss repair estimates prepared by or for the Company failed to show the name and/or location of the licensed salvage dealer where the parts for the repair were to be obtained as required by Ohio Adm.Code 3901-1-54(H)(4).	93%	82%

<u>Areas of Review</u>	<u>Compliance Standard</u>	<u>Compliance Rate</u>
<b>Vehicle Total Loss—Actual Cash Value</b> The Company's First Party (Collision) ACV calculation failed to conform with the requirements of Ohio Adm.Code 3901-1-54(H)(7)(a-d).	93%	60%
The Company's Third Party (Property Damage) ACV calculation failed to conform with the requirements of Ohio Adm.Code 3901-1-54(H)(7)(a-d).	93%	60%
<b>Collision Claims Denied</b> The Company failed to give reason for denial and cite applicable policy provision(s) in its denial letter to claimant.	93%	86%

This concludes the report of the Market Conduct Examination of Permanent General Assurance Corporation of Ohio. The examiners would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.

  
 \_\_\_\_\_  
 Molly Porto  
 Examiner-in-Charge

  
 \_\_\_\_\_  
 Date

COMPANY RESPONSE



**Permanent General**

2636 ELM HILL PIKE  
NASHVILLE, TN 37214  
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www.pgac.com

January 19, 2006

RECEIVED  
JAN 23 2006  
OHIO DEPT. OF INSURANCE  
MARKET CONDUCT DIVISION

Daniel J. Atkisson, CPCU, CIDM, CIE  
Insurance Compliance Supervisor  
Ohio Department of Insurance  
2100 Stella Court  
Columbus, Ohio 43215-4067

Re: Market Conduct Examination, Permanent General Assurance Corporation of Ohio

Dear Mr. Atkisson:

This is in response to the draft market conduct examination report directed to our company that was dated December 21, 2005. We are addressing only those items noted by the examiners as being below standard or which were of special concern to the examiners. We concur with the examiners' conclusions on those matters where the Company was found to be compliant.

**MARKETING**

**Agent Licensing and Appointment**

**Test:** Were the persons reported by the Company as selling, soliciting, or negotiating for insurance appointed as required by ORC § 3905.20?

**Findings:**

Population	Yes	No	Standard	Compliance
56,654	44,858	11,796	90%	79%

The standard for compliance is 90%. The Company's practices failed to meet this standard.

**Company Response:** We uncovered the discrepancy independently after the end of the examination period but prior to the start of the examination. We corrected our procedures and made the required appointments. Nonetheless, these agents were appointed after they began writing business for the Company. The Company and its captive agency have modified employment and appointment procedures to assure that appointments will be made before accepting, soliciting, or procuring applications from any agent.

## UNDERWRITING AND RATING

### Credit Scoring

**Test:** Did the Company's use of non-public credit score information conform with the requirements of OAC § 3901-1-55?

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
8,031	100	5	95	90%	5%

The standard for compliance is 90%. The Company's practices failed to meet this standard.

**Company Response:** The requirement that an adverse action letter be sent to applicants who failed to qualify for our most favorable credit tier is not explicit in the regulation. However, after the end of the examination period, but prior to the beginning of the examination, we took note of several federal court decisions holding that such was in fact an adverse action for the purposes of the Federal Fair Credit Reporting Act. Accordingly, a system change request was submitted and our procedures now comply with both OAC § 3901-1-55 and applicable federal law.

### Forms and Filings

**Test:** Were the cancellation and non-renewal notice forms used by the Company filed with the Superintendent as required by ORC §§ 3937.03(A) and (H)?

**Findings:** During the examination period, the Company used twenty-three (23) cancellation and non-renewal forms which had not been filed with the Department.

**Company Response:** These forms have since been filed with and approved by the Department. We have updated our practices and procedures to insure that all cancellation and non-renewal forms are filed with and approved by the Department.

### Automobile Policy Cancellation – Other Than Non-Payment of Premium

**Test:** Did the Company's cancellation procedures and practices, when the reason for cancellation is other than nonpayment of premium, conform with ORC §§ 3937.31, 3937.32, and 3937.33?

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
360	50	0	50	90%	0%

The standard for compliance is 90%. The Company's practices failed to meet this standard.

**Company Response:** ORC § 3937.31(C) provides:

ORC § 3937.32 (D) provides:

"An explanation for the reason for cancellation and the information upon which it is based, or a statement that such explanation will be furnished to the insured in writing within five days after the receipt of his written request therefor to the insured." (Emphasis added)

Our notices include both a reason and the statement that an explanation will be furnished to the insured in writing within five days after the receipt of his written request. Here is how our notice reads:

"Within five days from receipt of your written request, we will furnish a detailed explanation of the reason for this cancellation and the information upon which it is based."

If the reasons stated in the cancellation form do not coincide with those set forth in ORC § 3937.31(A) we believe – based on the use of the word "or" in ORC § 3937.32(D) -- that by including the language indicating that an explanation will be furnished upon written request makes the notice compliant with the statute.

Nonetheless, we are revising our procedures to limit the stated cancellation reasons for policies in effect more than 90 days to the four reasons set forth in ORC § 3937.31(A) and (1) are establishing procedures and practices to generate cancellation notices which conform with ORC §§ 3937.31 through ORC 3937.33, and (2) will establish and implement internal audit controls to monitor and review the Company's cancellation procedures and practices at intervals of no more than a year.

Certain policies were canceled with less than 30 days notice. All of these were the result of a manual error on the part of the underwriter. We are implementing changes to our systems and procedures to prevent manual errors of this sort.

**Automobile Policy Non-renewal**

**Test:** Did the Company's non-renewal of the policy qualify as a "refusal to renew" as defined in ORC § 3937.31 and did the Company's non-renewal procedures and practices conform with ORC § 3937.34?

**Findings:**

Population	Yes	No	Standard	Compliance
141	105	36	90%	74%

The standard for compliance is 90%. The Company's practices failed to meet this standard.

**Company Response:** Of the twenty-five policies identified by the examiners as having been non-renewed on a date other than the biennial anniversary of the date of original issue:

- One policy was non-renewed on the wrong date due to error; we subsequently corrected this oversight and renewed the policy. This has been discussed with the examiners and it is their position that the original error made this non-compliant.
- Eighteen policies were non-renewed because the agent no longer represented the Company. In the period between the examination period and the examination, we installed programming changes to prevent this from occurring in the future. The programming change recognizes the second anniversary date as the time to set a non-renewal flag due to agency termination.
- Six policies were non-renewed as a result of manual errors by our underwriting personnel. We have installed system edits to prevent flagging a policy for non-renewal less than 30 days prior to expiration.

With respect to the fourteen non-renewals determined to be non-compliant based on less than 30 days' notice to the consumer:

- One policy should be excluded because we immediately corrected the error and renewed the policy. This is the same policy described in the first bullet point above.
- Two of the policies were in cancelled status due to non-payment on the date the non-renewal notice would have generated. When the policies reinstated, the

non-renewal notice was immediately sent. We have changed our procedures to prohibit a late reinstatement on a policy identified for non-renewal.

- Eleven of the policies were non-renewed in error as a result of manual errors by our underwriting or customer service personnel. We have changed our procedures by installing system edits to prevent flagging a policy for non-renewal less than 30 days prior to expiration.

Based on the forgoing and the examiners' findings we (1) are establishing procedures and practices which will accurately identify those policy terminations which are "refusal(s) to renew" as defined by ORC § 3937.31 and send correct and timely notice as specified in ORC § 3937.34, and (2) will establish and implement internal audit controls to monitor and review the Company's "refusal to renew" procedures and practices at intervals of no more than a year.

#### **Automobile Territory Rate Classification**

**Test:** Did the Company apply automobile rating territory classifications to its automobile new business in a manner which conforms to ORC § 3937.03(H), as required by ORC § 3901.20 and as defined by ORC § 3901.21(M)?

#### **Findings:**

Number of Policies	Yes	No	Standard	Compliance
56,654	51,451	5,203	90%	91%

The standard for compliance is 90%. The Company's practices met this standard.

**Company Response:** We will implement revised territorial rating that includes: (1) territorial assignments that reflect municipalities as defined by software employed by the Ohio Department of Taxation, and (2) exhibits and recommendations received from the Property and Casualty Division. These changes will be included in upcoming rate filings. We are also working with the Property & Casualty Division of the Department and with industry representatives to develop effective ways to comply with the mandate contained in the fourth from the last paragraph of ORC § 3901.21.

## GENERAL CLAIM PRACTICES

### Use Of "Like Kind and Quality" Parts In Repair Estimates

**Test:** Where applicable, did repair estimates, prepared by the Company, or prepared on the Company's behalf, clearly indicate when the repair estimated included "Like Kind and Quality" ("LKQ") parts and the name and location of the licensed salvage dealer where the parts were to be obtained as required by OAC § 3901-1-54(H)(4)?

#### **Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Findings
Collision Partial	2,118	50	38	12	93%	76%
PD Partial	4,355	50	41	9	93%	82%

The standard for compliance is 93%. The Company's practices failed to meet this standard.

**Company Response:** A PGAC Direct Repair Facility wrote these estimates. They did not include the name or location of the licensed salvage dealer that was to provide the LKQ parts. Their software has been corrected. This said, we have (1) established procedures and practices which clearly identify the name and address of the licensed salvage dealer where the information on the availability and cost of the LKQ parts was obtained, and (2) will establish and implement internal audit procedures to monitor and review the Company's claims procedures and practices for LKQ parts in repair estimates at intervals of no more than a year.

### Vehicle Total Loss—Actual Cash Value

**Test:** Did the Company's actual cash value ("ACV") total loss settlement calculations conform with OAC § 3901-1-54 (H)(7)(a-d)?

#### **Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Findings
Collision Total	775	50	30	20	93%	60%
PD Total	936	50	30	20	93%	60%

The standard for compliance is 93%. The Company's practices failed to meet this standard.

**Company Response:** Prior to November, 2003 we calculated salvage value using a percentage of actual cash value. This percentage was based on our average salvage recoveries company-wide. The percentage variation was based on the age of the vehicle. While OAC § 3901-1-54(H) addresses the method by which total losses are to be determined, it does not expressly apply to computation of salvage values and we feel that we were compliant where the actual cash value (without consideration of a salvage deduction) is determined in conformity with that regulation.

Since November, 2003 we have determined salvage value from salvage quotes provided by Copart. Copart uses a methodology compliant with the Department's interpretation of OAC § 3901-1-54(H)(7)(d). Based on this, we have (1) established procedures to calculate ACV on total losses in a manner that conforms with OAC § 3901-1-54(H)(7)(a-d), and (2) will establish and implement internal audit procedures to monitor and review the Company's claims procedures and practices for calculating ACV on total loss vehicles at intervals of no more than a year.

#### **Claims Denied**

**Test:** When a claim was denied, did the Company's practices conform with OAC § 3901-1-54(G)(1),(2) and (3)?

#### **Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Findings
Collision Denied	7	7	6	1	93%	86%
PD Denied	334	50	50	0	93%	100%
BI Denied	61	61	60	1	93%	98%

The standard for compliance is 93%. The Company's claim practices met this standard in two of the three populations tested.

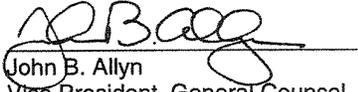
**Company Response:** We have (1) established procedures to ensure that notices to claimants contain a specific reference to the provision, condition or exclusion that was the basis for the claim denial, and (2) will establish and implement internal audit procedures to monitor and review the Company's claims procedures and practices for notices to claimants for denied claims at intervals of no more than a year.

However, we believe that the population of denied collision claims – seven total – makes the non-compliance percentage in this category a statistical anomaly.

Letter to Daniel J. Atkisson  
January 19, 2006  
Page 8

**Conclusion.** The Company would like to express its thanks and appreciation to the examiners for their professionalism and cooperation before, during, and after this examination.

Sincerely,

  
John B. Allyn  
Vice President, General Counsel  
and Secretary

**STATE OF OHIO**  
**DEPARTMENT OF INSURANCE**  
2100 Stella Court  
Columbus, Ohio 43215

**IN THE MATTER OF** : **CONSENT ORDER**  
**THE PERMANENT GENERAL** :  
**ASSURANCE CORPORATION OF OHIO** :  
**MARKET CONDUCT EXAMINATION** :

The Superintendent of the Ohio Department of Insurance (“Department”) is responsible for administering Ohio insurance laws pursuant to Section 3901.011 of the Ohio Revised Code (“R.C.”). The Department conducted a market conduct examination of the Permanent General Assurance Corporation of Ohio (“Company”). The Company is authorized to engage in the business of insurance in the State of Ohio and, as such, is under the jurisdiction of the Superintendent and the Department. The Department examined the Company’s private passenger automobile and homeowner insurance business in the State of Ohio for the period of January 1, 2003, through June 30, 2004.

SECTION I

As a result of the market conduct examination, the Superintendent alleges:

- A. The Company failed to ensure that all persons selling, soliciting, or negotiating for insurance were properly appointed as required by R.C 3905.20.
- B. The Company failed to send a “notice of adverse action” to applicants that did not qualify for the Company’s most favorable rating tier as required by Ohio Administrative Code (“Ohio Adm. Code”) 3901-1-55.
- C. The Company failed to comply with R.C. 3937.03(A) and (H) by using cancellation and nonrenewal forms that had not been filed with the Department.
- D. The Company’s notices of cancellation on policies in force more than 90 days indicated reasons for cancellation that are not permitted by R.C. 3937.31(A) and/or failed to provide 30 days notice as required by R.C. 3937.32(C).
- E. The Company’s notices of nonrenewal did not provide 30 days notice as required by R.C. 3937.34 and/or were not effective on the biennial anniversary of the inception of the policy as required by R.C. 3937.31(A).
- F. The Company accepted and processed automobile collision partial loss claims without the inclusion of the location of the licensed salvage dealer, where like kind and quality parts were utilized, as required by Ohio Adm. Code 3901-1-54(H)(4).
- G. The Company’s basis for offering actual cash value on total losses, when the owner retained the salvage, included deductions in excess of the actual cost of salvage. This resulted in payment offers not based on actual cash value as required by Ohio Adm.Code 3901-1-54(H)(7).

- H. The Company failed to give reason(s) for denial and cite the applicable policy provision(s) confirm in its denial letter to claimants (collision only) as required by Ohio Adm.Code 3901-1-07 and 3901-1-54.

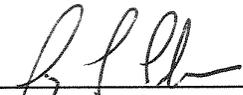
## SECTION II

It is hereby agreed to by the parties that:

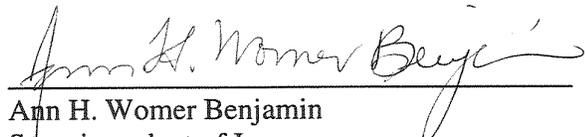
- A. The Superintendent and the Company enter into this Consent Order to resolve the allegations as set forth in Section I of this order. Further, the Company admits to the allegations set forth in Section I.
- B. The Company has been advised that it has a right to a hearing before the Superintendent pursuant to R.C. Chapter 119; that, at a hearing, it would be entitled to appear in person, to be represented by an attorney or other representative who is permitted to practice before the agency; and that, at a hearing, it would be entitled to present its position, arguments or contentions in writing and to present evidence and examine witnesses appearing for and against it. The Company hereby waives all such rights.
- C. The Company consents to the jurisdiction of the Superintendent and the Department to determine the issues set forth herein. The Company expressly waives any prerequisites to jurisdiction that may exist.
- D. The Company represents that its agent appointment policies, procedures, and controls have been revised to comply with R.C 3905.20.
- E. The Company has instituted policies, procedures, and controls to ensure that a "notice of adverse action" will be sent as required by Ohio Adm. Code 3901-1-55.
- F. The Company represents that all cancellation forms will be filed as required by R.C. 3937.03(A) and (H).
- G. The Company has instituted policies, procedures, and controls to ensure that cancellation notices sent on policies in force more than 90 days comply with R.C. 3937.31(A) and R.C. 3937.32(C).
- H. The Company has instituted policies, procedures, and controls to ensure that nonrenewal notices comply with R.C. 3937.34 and R.C. 3937.31(A).
- I. The Company has instituted policies, procedures, and controls to ensure that estimates used in the adjustment of collision partial loss claims will comport with Ohio Adm. Code 3901-1-54(H)(4).
- J. The Company has instituted policies, procedures, and controls to ensure that its calculation of salvage expense on collision total loss claims comports with Ohio Adm. Code 3901-1-54(H)(7).

- K. The Company will institute policies, procedures, and controls to ensure that its notices to claimants contain a specific reference to the provision, condition or exclusion that was the basis for the claim denial to comport with Ohio Adm.Code 3901-1-07 and 3901-1-54.
- L. The Company will pay an administrative fine in the amount of \$20,000.00 by check or money order made payable to the "Ohio Department of Insurance" no later than thirty (30) days after the date of execution of this Consent Order.
- M. The Company waives any and all causes of action, claims or rights, known or unknown, which it may have against the Department, and any employees, agents, consultants, contractors or officials of the Department, in their individual and official capacities, as a result of any acts or omissions on the part of such persons or firms arising out of this matter.
- N. The Company has read and understands this Consent Order. The Company further understands that it has the right to seek counsel of its choice and to have counsel review this Consent Order.
- O. This Consent Order has the full force and effect of an Order of the Superintendent. Failure to abide by the terms of this agreement shall constitute an actionable violation in and of itself without further proof and may subject the Company to any and all remedies available to the Superintendent.
- P. This Consent Order shall be entered in the Journal of the Ohio Department of Insurance. All parties understand and acknowledge that this Consent Order is a public document pursuant to R.C. 149.43.

Date: 4/6/06

  
\_\_\_\_\_  
Randy P. Parker  
President and Chief Executive Officer  
Permanent General Assurance Corporation of Ohio

Date: 4/13/06

  
\_\_\_\_\_  
Ann H. Womer Benjamin  
Superintendent of Insurance