



Market Conduct Examination

Philadelphia Contributionship
Insurance Company
And
Germantown Insurance Company

Philadelphia, Pennsylvania

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE
Division of Enforcement and Consumer Protection

Market Conduct Examination Section

Date Adopted: April 3, 2007

MARKET CONDUCT EXAMINATION

of the

Philadelphia Contributionship Insurance Company

And

Germantown Insurance Company

located in

Philadelphia, Pennsylvania

as of

March 1, 2005

BY EXAMINERS

of the

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF ENFORCEMENT AND CONSUMER PROTECTION
MARKET CONDUCT EXAMINATION SECTION

DATE ADOPTED: APRIL 3, 2007

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I. INTRODUCTION

A. SCOPE AND PURPOSE OF THE EXAMINATION

This is a report of the Market Conduct activities of the Philadelphia Contributionship Insurance Company and the Germantown Insurance Company (hereinafter referred to as Philadelphia Contributionship (PCIC) or Germantown (GIC) or the Company). In this report, examiners of the New Jersey Department of Banking and Insurance (NJDOBI) present their findings, conclusions and recommendations as a result of their market conduct examination. The Market Conduct Examiners included Examiner-in-Charge Marleen Sheridan, Robert Guice, Richard Segin and Virgil Downtin.

The scope of the examination included homeowner and dwelling fire insurance sold by the Company in New Jersey. The examiners evaluated Philadelphia Contributionship's and Germantown's compliance with the regulations and statutes that pertain to homeowner and dwelling fire insurance. The review period for the examination was January 1, 2003 through December 31, 2003. The examiners completed their fieldwork at the Company's Philadelphia, Pennsylvania office between October 18, 2004 and November 18, 2004. On various dates thereafter, the examiners completed additional review work and the writing of the report.

The examiners randomly selected files and records from computer listings and documents provided by the Company. The random selection process is in accordance with the National Association of Insurance Commissioner's (NAIC) Market Conduct Handbook. In addition, the examiners used the NAIC Handbook, Chapter VIII – Conducting the Property and Casualty Examination as a guide to examine the Company and write this report.

B. ERROR RATIOS

Error ratios are the percentage of files reviewed which an insurer handles in error. A file is counted as an error when it is mishandled or the insured is treated unfairly, even if no statute or regulation is applicable. If a file contains multiple errors, the examiners will count the file only once in calculating error ratios. However, any file containing more than one error will be cited more than once in the report. In the event that the insurer corrects an error as a result of a consumer complaint or due to the examiners' findings, the error will be included in the error ratio. If the insurer corrects an error independent of a complaint or NJDOBI intervention, the error is not included in the error ratios.

Whenever the examiners find that a company commits a type of error with sufficient frequency, they will cite the errors as an improper general business practice. If an error constitutes an improper general business practice, the examiners have stated this in the report that follows.

The examiners sometimes find improper general business practices of an insurer that may be technical in nature or which did not have an impact on a consumer. Even though such a practice would not be in compliance with applicable law, the examiners do not count each of these files as an error in determining error ratios. Whenever such business practices do have an impact on the consumer, each of the files in error will be counted in the error ratio. The examiners indicate in the report that follows whenever they did not count any particular files in the error ratio.

The examiners submitted written inquiries to Company representatives on the errors cited in this report. This provided PCIC and GIC the opportunity to respond to the examiners' findings and to provide exception to the statutory and/or regulatory errors or mishandling of files reported herein. In response to these inquiries, the Company agreed with some of the errors cited in this report. On those errors with which the Company disagreed, the examiners evaluated the individual merits of each response and gave due consideration to all of its comments. In some instances, the examiners did not cite the files due to the Company's explanatory responses. In others, the errors remained as cited in the examiners' inquiries.

C. COMPANY PROFILE

The Philadelphia Contributionship Group (TPC) was founded by Benjamin Franklin and a group of prominent local citizens of that era in 1752. TPC is comprised of the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire and its two wholly owned insurance company subsidiaries, Philadelphia Contributionship Insurance Company (PCIC) and Germantown Insurance Company (GIC). PCIC provides dwelling fire, homeowners, allied lines and inland marine coverage in the states of Pennsylvania and New Jersey. GIC provides homeowners coverage in Pennsylvania and New Jersey. TPC owns 100% of Franklin Agency, Inc. and Vector Security Holdings, Inc., the latter engaging in residential and commercial security services in the mid-Atlantic region and nationally.

II. RATING, UNDERWRITING AND POLICYHOLDER SERVICE

A. INTRODUCTION

The Contribution Group has two Companies that write homeowner and dwelling fire business in New Jersey. Philadelphia Contributionship Insurance Company (PCIC) writes all of the standard policies. Germantown Insurance Company (GIC) writes preferred policies and only writes HO-3 (special form for homeowner insurance) and HO-6 (condominium policies). GIC does not write dwelling fire policies. The examiners reviewed randomly selected homeowner and dwelling fire policy files from PCIC and GIC's in-force book of business written or renewed between January 1, 2003 to December 31, 2003. The Contributionship reported 24,361 homeowner policies and 17,983 dwelling fire policies for a total of 42,344 in-force contracts. Germantown Insurance Company reported 40,921 homeowner policies in-force during the review period. The examiners checked for compliance with all applicable statutes and regulations including N.J.S.A. 17:29A-6 and 15, (filed and approved rating methodologies) and N.J.S.A. 17:29A-4d (rate reductions for structures equipped with operative smoke detection devices).

B. ERROR RATIOS

The examiners calculated error ratios for each random sample by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately for the review samples as indicated in the chart that follows.

Review Category	Files Reviewed	Files In Error	Error Ratio
Random Underwriting-			
PCIC			
HO	93	0	0
DF	<u>7</u>	<u>0</u>	0
	100	0	0
GIC			
HO	<u>100</u>	0	0
Random Total:	200		
Select Underwriting			
PCIC			
HO	100	0	0
DF			
GIC			
HO	<u>100</u>	0	0
Select Total:	200		
Total Random and Select	400	0	0

C. EXAMINERS' FINDINGS

1. Select Discount Review

The examiners reviewed 200 homeowner and 200 dwelling fire policies to confirm that the Companies provided required protective device and new home premium credits. The results of this review are as follows.

a. New Home Credits

PCIC and GIC provide a new home credit discount for homes that are equal to or less than seven years of age. The discounts range from 15% for a home less than one year of age to 2% for a home that is seven years old. The examiners found 207 homeowner policies that were eligible for the new home credit. The Company provided the proper new home credit on

all 207 files reviewed.

b. Protective Device Credits

PCIC and GIC provide protective device credits for homes equipped with fire/sprinkler and/or burglary alarm systems. The protective device credits range from 2% to 10%. This discount is applied to the basic policy premium and the premium for Coverage C (contents of home). Of the 400 files reviewed, 382 were eligible for a protective device credit. The examiners were unable to verify that a 2% discount was correctly applied on four policies because the Company could not locate files 806746, 810813, 812644 and 225836. See recommendations. The examiners verified that the Company provided the proper protective device discounts on the remaining 378 files.

2. Eligibility and Insurance Scoring

The Company's rating and underwriting manual is structured around standard, industry-wide methodology that includes territorial base rates, applicable protection classes based on proximity to fire hydrants, construction type, i.e., frame versus masonry and other factors. The Company's underwriting guidelines for the standard and preferred homeowner and dwelling fire policy also include a credit report and insurance score component that ultimately determines policy acceptance and rejection at the time of application and at the agency level.

The insurance score is derived from several sources; including TransUnion and a third party credit/underwriting company called iiX. Upon receipt of a new business application, the agent contacts and provides application information to iiX, which then provides information about the applicant to TransUnion, which obtains the applicant's credit score. TransUnion then develops the applicant's insurance score, which is based on several additional factors, including number of open accounts, account judgments, account activity and inactivity, delinquency and other factors. TransUnion provides the insurance score to iiX, which then conveys the results to the agent. Overall, the insurance score is based on over 41 positive and 40 negative characteristics. An insurance score of 625 or higher is required in order to obtain homeowner and DP 2 and 3 dwelling fire coverage. An insurance score of 624 or less ends the application process for these products, resulting in a declination of coverage. The applicant is then only eligible for the HO-1 or DP-1 policy forms, resulting

in an adverse underwriting decision. As such, an insurance score serves as an eligibility criterion before the applicant is evaluated against standard, non-credit/financial underwriting requirements. In response to a rejection, the Companies do provide the applicant with a notice of information practices and a summary of rights as required by N.J.S.A. 17:23-1 et seq.

In response to the examiners' inquiries, the Company advised that it does not provide any special instructions, either to iiX or TransUnion with respect to derivation of the insurance score. The Company further advised that neither iiX nor TransUnion actually divulges the applicant's insurance or credit score to the Company or its agents. Instead, iiX labels insurance scores of 625 or higher as "eligible" and reports this result to the agent. Insurance scores of 624 or less are labeled as "ineligible" and are reported as such to the agent. A "no hit" is also reported as such. The latter occurs when the applicant has no meaningful credit history or provided inaccurate or incomplete information that inhibited iiX or TransUnion from completing its credit score and/or insurance score analysis. Further in response to the examiners' inquiries, the Company advised that extraordinary life events (death or illness of spouse, serious medical condition or illness of the applicant, loss of employment and other factors beyond the applicant's control) are rarely, if ever, considered as mitigating factors regarding an unacceptable insurance score. The Company advised the examiners that no such exceptions could be located due to their infrequency.

It should be noted that the above application description is based on procedures in effect during the examiners' field audit. For the actual review period, underwriters, rather than agents, obtained the credit score.

The examiners found four policies from the random sample in which the Company declined coverage due solely to an unacceptable insurance score. These include policy numbers 257735, 845969, 846148, and 846491.

D. OTHER FINDINGS

The examiners grouped and counted the 42,344 homeowners and dwelling fire policies reported by Philadelphia Contributionship and the 40,921 Germantown homeowner policies by zip code to illustrate the in-force distribution contained in the Urban Enterprise Zone and within the Windstorm Market Assistance Program (Wind-Map) zones.

1. In-Force Distribution in Urban Territories

N.J.A.C. 11:3-46 specifies 79 zip codes as being urban enterprise zones. The examiners found that PCIC wrote policies in 75, or 95% of the urban zones. PCIC wrote 19,145 policies in these zones, which represents 45% of its entire in-force book of business. Germantown wrote policies in 66, or 84% of the 79 urban zip codes. Germantown wrote 7,033 homeowner policies in these zones, which represents 17% of its in-force book of business.

2. Windstorm Market Assistance Program (Wind-Map)

The Windstorm Market Assistance Program (Wind-Map) is a voluntary industry program in which insurers consider applications for insurance from residents of coastal communities that have been unsuccessful in securing coverage through the voluntary market. There are 92 zip codes that are used to describe the Wind-Map area. The examiners found that PCIC wrote policies in 86, or 93%, of the 92 Wind-Map zip codes. PCIC wrote a total of 10,614 policies in these zones, which represents 25% of its entire in-force book of business. Germantown wrote policies in 81, or 88% of the 92 Wind-Map areas. GIC wrote a total of 5,110 policies in these zones, which represents 12% of its total book of business.

E. MAIL REVIEW

The examiners conducted a mail review at PCIC's Philadelphia, PA location. The examiners reviewed the Company's mail operation to verify that new business and renewal packages were sent in a timely fashion, and to determine that the Contributionship included all required notices and informational disclosures. The examiners found no errors.

III. TERMINATIONS REVIEW

A. INTRODUCTION

During the review period of January 1, 2003 to December 31, 2003, the Company reported that it cancelled 774 new business policies within the first 60 days and declined 560 new business applications. The Company reported that it cancelled 12,647 policies beyond the first 60 days. In the same period, the Company nonrenewed 127 policies. The examiners randomly selected and reviewed 85 nonrenewals and 300 cancellations. The examiners checked for compliance with applicable statutes and regulations including N.J.A.C. 11:1-20.2 (nonrenewal and cancellation notice requirements), N.J.A.C. 11:1-20.3 (policy provisions relating to cancellation or nonrenewal) and N.J.A.C. 11:1-20.4 (cancellation and nonrenewal underwriting guidelines).

B. TERMINATION ERROR RATIOS

The examiners calculated error ratios for the termination review by applying the procedure outlined in the introduction of this report. The following chart itemizes the review sample, the number of errors and the error ratio by type of termination.

<u>Review Sample</u>	<u>Files Reviewed</u>	<u>Files with 1 or more Errors</u>	<u>Error Ratio</u>
Nonrenewals			
Homeowner	73	37	51%
Dwelling Fire	<u>12</u>	<u>2</u>	17%
Sub-total	85	39	46%
Cancellations			
First 60 Day			
Homeowner	87	0	0

Dwelling Fire	<u>13</u>	0	0
Sub-total	100	0	0
Declinations			
Homeowner	85	0	0
Dwelling Fire	<u>15</u>	0	0
Sub-total	100	0	0
Midterm			
Homeowner	80	0	0
Dwelling Fire	<u>20</u>	0	0
Sub-total	100	0	0
Overall Totals:	385	39	10%

C. EXAMINERS' FINDINGS

1. Failure to Properly Document Agency Termination Files - 22 Files in Error – Improper General Business Practice

N.J.A.C. 11:1-20.4(b)13 allows an insurer to nonrenew a policy due to agency termination, provided that the insurer documents that “...replacement coverage at comparable rates and terms has been provided to the insured, and the insurer has informed the insured, in writing, of his or her right to continue coverage with the insurer” or the insured has agreed, in writing, to the non-renewal due to the termination of the agent.

Further, **N.J.A.C. 11:1-20.8(a)5** states that every non-renewal based on agency termination must be supported by retaining a copy of the written notice issued by the insurer advising the insured of his or her right to continue coverage with the insurer.

Contrary to the aforementioned regulations, the Company failed to retain a copy of the notification required by **N.J.A.C. 11:1-20.4(b)13** and

N.J.A.C. 11:1-20.8(a)5 for 22 files. In response to an inquiry, the Company agreed with the examiners' findings and stated that "the form letter advising the policyholder that they may continue coverage with the company is not made part of the file. Consequently we are unable to provide you with a copy nor would there be proof of mailing of the documentation." In addition, the Company stated after receiving the examiner's inquiries that GIC and PCIC now include in the file a copy of the written notice advising the insured of his or her right to continue coverage with the insurer when the agent is terminated.

SEE APPENDIX A-1 FOR LIST OF POLICIES IN ERROR

2. Failure to Provide Standard or Reason and Factual Basis For Nonrenewal - 8 Files in Error

N.J.A.C. 11:1-20.2(g) states that "No nonrenewal or cancellation shall be valid unless the notice contains the standard or reason upon which the termination is premised and specifies in detail the factual basis upon which the insurer relies."

Contrary to the regulation, the examiners found that the Company did not provide the standard or reason upon which the termination is premised or specify in detail the factual basis for the nonrenewal on eight nonrenewal notices. In response to an inquiry, the Company agreed with seven of the eight files.

On policy number 241221, the Company responded that "We nonrenewed the policy as a result of being informed by the Fire department that recent renovations were in violation of building and fire codes. If the Fire department shared this information with our claims adjuster then it is reasonable to assume that the policyholder was aware of these violations as well..." The examiners disagree, as it is the insurer's obligation to assure that it provides the specific reasons for termination; reliance on a third party entity to convey this information does not satisfy **N.J.A.C. 11:1-20.2(g)**.

PLEASE SEE APPENDIX A-2 FOR LIST OF POLICIES IN ERROR

3. Failure to Retain Certificate of Mailing of Termination Notice - 7 Files in Error

N.J.A.C. 11:1-20.2(i) states that “No nonrenewal or cancellation shall be valid unless notice thereof is sent by certified mail; or by first class mail, if at the time of mailing the insurer has obtained from the Post Office Department a date stamped proof of mailing showing the name and address of the insured, and the insurer has retained a duplicate copy of the mailed notice.”

Contrary to the aforementioned regulation, the examiners found that the Company failed to retain a date stamped proof of mailing of the nonrenewal notice for seven files. The Company agreed with the examiners’ findings.

PLEASE SEE APPENDIX A-3 FOR FILES IN ERROR

4. Erroneous Nonrenewals – 3 Files in Error

The examiners found three policies where the notices stated that coverage was being nonrenewed due to agency termination. However, after reviewing agency termination records, the examiners found that the agents who wrote these three policies were in fact not terminated. These terminations were therefore contrary to **N.J.A.C. 11: 1-20.2(a)** which states that insurer may not nonrenew a policy unless a valid notice of nonrenewal is sent in accordance with **N.J.A.C. 11: 1-20.1** through **9**. In response to the examiners’ inquiry, the Company agreed with these errors and offered coverage to the insureds.

PLEASE SEE APPENDIX A-4 FOR FILES IN ERROR

D. MISCELLANEOUS ERRORS

1. Failure to Properly Apply Underwriting Guideline on Nonrenewal - 1 File in Error

N.J.A.C. 11:1-20.4(g) specifies that only those underwriting guidelines that are in effect at the inception date of the original policy may be utilized by the insurer to terminate coverage. The Company’s underwriting guidelines state in part that “policies may be considered for non-renewal if there are two or more claims within a 36 month period.” Contrary to the

aforementioned regulation and its underwriting guidelines, the Company erroneously non-renewed homeowner policy number 227615. The examiners reviewed the claim history and found the insured in fact had only one claim during this 36-month period. In response to an inquiry, the Company agreed with the examiners' finding.

2. Failure To Issue Renewal Policy – 1 File in Error

N.J.A.C. 11:1-20.4(b)13i requires an insurer to notify an insured of his or her right to continue coverage with the insurer when the agent is terminated. According to the Company's electronic file, it appears the Company offered to continue coverage for policy 816661. The insured agreed to continue coverage with GIC. However, the Company did not reinstate coverage in response to the insured's request, and did so only after it received an inquiry from the examiners.

IV. AGENCY REVIEW

A. INTRODUCTION

During the review period, Philadelphia Contributionship and Germantown had 126 active agencies in New Jersey. The examiners reviewed Company records of agency appointments including the proper notification and timeliness requirements of **N.J.S.A. 17:22A-42(c)** and **N.J.A.C. 11:17-2.9**.

The examiners visited eight Agencies that the Company appointed to write business in New Jersey. At the agents' offices, the examiners reviewed contracts between PCIC/ Germantown and the agent, marketing/sales materials and underwriting guidelines.

Additionally, the agents gave the examiners a demonstration of PCIC/Germantown's premium quoting system. After the system determines that the applicant has an eligible credit score, the Company software decides which policy forms are available to the applicant and provides the premium quote. The agents and Company personnel do not have access to the actual credit scores. The premium quoting system only indicates if an applicant is eligible or ineligible.

B. EXAMINER'S FINDINGS

1. **Failure to File Agency Appointments with Commissioner – 3 Errors**

N.J.S.A. 17:22A-42 (c) and **N.J.A.C. 11: 17-2.9(a)2** require an insurer appointing an agent to file with the Commissioner, on a form prescribed by the Commissioner, a notice of appointment providing the names and business addresses of its agents, including notice of any limitations on the agent's authority. As an alternative, the insurer may choose to use the online appointment system available through the National Insurance Producer Registry to notify the Department of the appointment. The following agents appear on the database provided to the examiners or were found during the examiners' review of Company files. However, the master licensing records of the NJDOBI do not list these agents as being

appointed by the Company. In response to an inquiry, the Company stated “We are unable to locate the State Insurance Department appointment notices.” In the absence of these notices, the examiners cited the Company for appointing the following agents without notice to the NJDOBI:

Brown and Brown of North Jersey
Brown and Brown Metro
Brown and Brown of Lehigh Valley

2. Failure to Notify DOBI of Agency Termination –1 Error

N.J.S.A. 17:22A-42 (b) provides in part that upon the cancellation of an agency contract, the insurance company shall within 15 days file written notice of cancellation with the commissioner. Notice of cancellation shall be on a form prescribed by the commissioner and shall indicate the date of cancellation and the reason therefor. Agency appointment shall not terminate until the notice of cancellation has been filed with the commissioner. The Company failed to provide the DOBI with a written notice of termination as required by **N.J.S.A. 17:22A-42 (b)** for the Alfred C. Sinn Agency. The Company agreed with this error.

V. RECOMMENDATIONS

Philadelphia Contributionship Insurance Company and Germantown Insurance Company should inform all responsible personnel and third party entities that handle the files and records cited as errors in this report of the examiners' recommendations and remedial measures that follow in the report sections indicated. The examiners also recommend that PCIC and GIC establish procedures to monitor compliance with these measures.

Throughout this report, the examiners cite and/or discuss all errors found. If the report cites a single error, the examiners often include a "reminder" recommendation because if a single error is found, more errors may have occurred.

The examiners acknowledge that during the examination, PCIC and GIC had agreed and had already complied with, either in whole or in part, some of the recommendations. For the purpose of obtaining proof of compliance and for the Company to provide its personnel with a document they can use for future reference, the examiners have listed all recommendations below.

A. GENERAL INSTRUCTIONS

All items requested for the Commissioner and copies of all written instructions, procedures, recommended forms, etc., should be sent to the Commissioner, c/o Clifton J. Day, Manager of the Market Conduct Examinations and Anti-Fraud Compliance Unit, Mary Roebling Building, 20 West State Street, PO Box 329, Trenton, NJ 08625, within thirty (30) days of the date of the adopted report.

On files reopened as recommended, the letter that offers coverage or, should be sent to the insured with an accompanying cover letter containing the following first paragraph (variable language is include in parentheses):

Offer of Coverage

"During a recent review of our policy files by market conduct examiners of the New Jersey Department of Banking and Insurance, they found that we should not have (nonrenewed/canceled) your (homeowner/dwelling fire insurance). We are now offering you a new policy to correct our error."

B. TERMINATION REVIEW

1. Pursuant to **N.J.A.C. 11:1-20.4(b)13** and **N.J.A.C. 11:1-20.8(a)5**, the Company should issue written instructions to all appropriate personnel stating that every non-renewal based on agency termination must be supported by retaining a copy of the written notice that advises the insured of the right to continue coverage with the insurer. In order to assure compliance, the Company should incorporate coverage continuation language into the actual notice of termination.
2. Pursuant to **N.J.A.C. 11:1-20.2(g)**, Philadelphia Contributionship and Germantown should issue written instructions to all appropriate personnel informing them to include the standard or reason and factual basis for cancellation on the notice.
3. The Company should issue written instructions to all appropriate personnel stating that **N.J.A.C. 11:1-20.2(i)**, specifies that “No nonrenewal or cancellation shall be valid unless notice thereof is sent by certified mail; or by first class mail, if at the time of mailing the insurer has obtained from the Post Office Department a date stamped proof of mailing showing the name and address of the insured, and the insurer has retained a duplicate copy of the mailed notice.”
4. The Company should issue written instructions to all personnel stating that **N.J.A.C. 11: 1-20.2(a)** requires a company to issue a valid non-renewal notice and that the Company cannot non-renew a policy due to agent termination if the agent was not terminated.
5. Pursuant to **N.J.A.C. 11:1-20.4(g)**, Philadelphia Contributionship should remind, in writing, all appropriate personnel to adhere to the Company’s underwriting guidelines when canceling or non-renewing a policy.
6. PCIC and GIC should issue a written reminder to personnel stating that when a policy is non-renewed due to agent termination and the insured agrees to continue coverage with the Company, the policy must be reinstated.
7. The Company should reopen and offer coverage for the policies cited in this report as invalid cancellations or nonrenewals. See General Instructions for appropriate cover letter to the insured.

C. AGENCY REVIEW

8. The Company should issue written instructions stating that **N.J.S.A.**

17:22A-42 (c) and **N.J.A.C. 11: 17-2.9(a)2** require an insurer appointing an agent to file with the Commissioner, on a form prescribed by the Commissioner, a notice of appointment providing the names and business addresses of its agents, including notice of any limitations on the agent's authority. As an alternative, the insurer may choose to use the online appointment system available through the National Insurance Producer Registry to notify the Department of the appointment.

9. The Company should issue a written reminder that **N.J.S.A. 17:22A-42 (b)** provides in part that upon the cancellation of an agency contract, the insurance company shall within 15 days, file written notice of cancellation with the commissioner. Notice of cancellation shall be on a form prescribed by the commissioner and shall indicate the date of cancellation and the reason therefor. Agency appointment shall not terminate until the notice of cancellation has been filed with the commissioner.

APPENDIX A – TERMINATION ERRORS

1. Failure to Properly Document Agency Termination Files - 22 Files in Error – Improper General Business Practice

<u>Policy Number</u>	<u>Policy Number</u>	<u>Policy Number</u>	<u>Policy Number</u>	<u>Policy Number</u>
811816	815615	816573	821018	816671
815304	811521	817361	815801	816670
809447	817220	817124	821023	828287
821636	828173	809192	808599	809446
816910	821515			

2. Failure to Provide Factual Basis for Nonrenewal - 8 Files in Error

<u>POLICY NUMBER</u>	<u>NONSPECIFIC REASON ON TERMINATION NOTICE</u>	<u>DEFICIENCY</u>
230605	No longer eligible for coverage due to adverse claims experience.	The message must be specific in what the adverse claims experience entails.
241221	Renovations/repairs to home do not meet fire dept codes. This is a serious increase in fire hazard.	The message must be specific in identifying what renovations/repairs do not meet the fire department codes.
800183	Ineligible due to claims experience.	The message must be specific in detailing the claims experience of the policyholder.
811110	Risk is no longer eligible due to claims history.	The message must detail the claims history of the policyholder.

811409	Ineligible due to claims frequency.	The message must detail the claims frequency of the policyholder.
815670	Ineligible due to loss history.	The message must detail the loss history of the policyholder.
815983	Claims frequency.	The message must detail the claims frequency of the policyholder.
817697	Ineligible due to claims history.	The message must detail the claims history of the policyholder.

3. Failure to Retain Certificate of Mailing of Notice - 7 Files in Error

<u>Policy Number</u>	<u>Policy Number</u>	<u>Policy Number</u>
227094	245009	701896
705831	816910	827203
841907		

4. Failure To Issue Valid Nonrenewal Notice – 3 files in error

<u>Policy Number</u>	<u>Policy Number</u>	<u>Policy Number</u>
244724	245009	705831

VERIFICATION PAGE

I, Marleen Sheridan, am the Examiner-in-Charge of the Market Conduct Examination of Philadelphia Contributionship Insurance Company and Germantown Insurance Company conducted by examiners of the New Jersey Department of Banking and Insurance. This verification is based on my personal knowledge as acquired in my official capacity.

The findings, conclusions and recommendations contained in the foregoing report represent, to the best of my knowledge, a full and true statement of the Market Conduct examination of Philadelphia Contributionship Insurance Company and Germantown Insurance Company as of March 1, 2005.

I certify that the foregoing statements are true. I am aware that if any of the foregoing statements made by me is willfully false, I am subject to punishment.

Date

Marleen Sheridan
Examiner-In-Charge
New Jersey Department
of Banking and Insurance