

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of)	
Banking and Insurance, State of New)	CONSENT
Jersey, with respect to Cumberland Mutual Fire)	ORDER
Insurance Company NAIC No. 13684)	

TO: Cumberland Mutual Fire Insurance Company
633 Shiloh Pike
Bridgeton, NJ 08302

This matter, having been opened to the Commissioner of Banking and Insurance (“Commissioner”), State of New Jersey, upon the filing of a Market Conduct Examination Report (the Report) containing the results of the July 1, 2008 through June 30, 2009 examination of homeowner and dwelling fire insurance claims, rating, underwriting and terminations of Cumberland Mutual Fire Insurance Company (the Company) performed by the Department of Banking and Insurance (Department) pursuant to the authority provided at N.J.S.A. 17:23-20 et seq.; and

WHEREAS, the market conduct examination revealed certain instances, as fully set forth in the Report, where the Company practices did not accord fully with various provisions of New Jersey insurance statutes or regulations; and

WHEREAS, based on the documentation and information submitted by the Companies, the Department is satisfied that the Company has taken or will take corrective measures pursuant to the recommendations of the Report.

NOW, THEREFORE, IT IS on this 7th day of Sep., 2010

ORDERED AND AGREED that the attached Report will be adopted and filed as an official record of the Department; and

IT IS FURTHER ORDERED AND AGREED that Company shall comply with New Jersey insurance statutes and regulations and the recommendations contained in the attached Report ; and


IT IS FURTHER ORDERED AND AGREED that pursuant to N.J.S.A. 17:23-24d(1), within 30 days of the adoption of the Report, the Company shall file an affidavit with the Department's Market Conduct Unit, stating under oath that its directors have received a copy of the adopted Report; and

IT IS FURTHER ORDERED AND AGREED that in accordance with N.J.S.A. 17:23-24e (1) the Department shall hold the content of the examination confidential for a period of 90 days.



Thomas B. Considine
Commissioner

Consented to as to form, content and entry


Name Paul J. Ritter III, President & CEO

Date: 8 / 18 / 10



Market Conduct Examination

Cumberland Mutual Fire Insurance Company

Bridgeton, New Jersey

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE
Office of Consumer Protection Services

Market Conduct Examination and Anti-Fraud Compliance
Section

Date Report Adopted: September 16, 2010

MARKET CONDUCT EXAMINATION

of the

Cumberland Mutual Fire Insurance Company

located in

Bridgeton, New Jersey

As of

November 3, 2009

BY EXAMINERS

of the

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF CONSUMER PROTECTION SERVICES
MARKET CONDUCT EXAMINATION AND ANTI-FRAUD COMPLIANCE
SECTION

Date Report Adopted: September 16, 2010

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I. INTRODUCTION

This is a report of the Market Conduct activities of the Cumberland Mutual Fire Insurance Company, hereinafter referred to as Cumberland 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 Robert J. Only, Richard Segin and William Sonntag.

A. SCOPE AND PURPOSE OF THE EXAMINATION

The scope of the examination included homeowner and dwelling fire insurance sold by the Company in New Jersey. The examiners evaluated Cumberland's compliance with the regulations and statutes that pertain to homeowner and dwelling fire insurance claims, rating, underwriting and terminations. The review period for the examination was July 1, 2008 through June 30, 2009. The examiners completed their fieldwork at the Company's Bridgeton, New Jersey office between September 21, 2009 and October 28, 2009. On various dates thereafter, the examiners completed additional review work and report writing in Trenton, New Jersey.

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 Regulation Handbook. In addition, the examiners used the NAIC Market Regulation Handbook, Chapters 16 (General Examination Standards) and 17 (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 ratios.

The examiners submitted written inquiries to Company representatives on the errors cited in this report. This provided Cumberland Mutual Fire Insurance Company 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 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

Cumberland was established in 1844 in Bridgeton, New Jersey as The Cumberland Mutual Fire Insurance Company to write property insurance in New Jersey. In 1982, Cumberland Insurance Company, Inc. was organized as a fully owned subsidiary of Cumberland Mutual Fire Insurance Company for the purpose of writing Workers Compensation and General Liability insurance. Through the merger with Chester County Mutual Insurance Company of Downingtown, Pennsylvania, Cumberland became licensed to conduct business in the states of Pennsylvania, Delaware and Maryland in 2000. Cumberland acquired the Mutual Fire Insurance Company in Calvert County in 2004 and was licensed to conduct business in the State of Ohio in 2005.

Cumberland maintains four offices. The home office is located at 633 Shiloh Pike, Bridgeton, New Jersey. The Company's branch offices are located in Coatesville, Pennsylvania, Prince Fredrick, Maryland and Mansfield, Ohio.

II. CLAIMS REVIEW

A. INTRODUCTION

This review covers paid and denied homeowners and dwelling fire claims closed during the review period of July 1, 2008 to June 30, 2009. During this period, the Company closed 2,371 claims, of which 2,355 were paid and 16 were denied. From this total, the examiners randomly selected and reviewed 35 paid and 16 denied claims, for a total random sample review of 51 files.

In reviewing each claim, the examiners checked for compliance with all applicable statutes and regulations that govern timeliness requirements in settling first party claims. The examiners conducted specific reviews, placing particular emphasis on N.J.S.A. 17:29B-4(9) and N.J.A.C. 11:2-17 (unfair claim and settlement practices). These requirements relate to NAIC Market Conduct Standards outlined in Chapters 16 and 17 of the Market Regulation Handbook.

B. ERROR RATIOS

The examiners calculated the error ratios by applying the procedure outlined in the introduction of this report. The chart below itemizes all randomly selected paid and denied claims reviewed along with total files in error and error ratio.

Type of Claim	Files Reviewed	Files in Error	Error Ratio
Paid	35	3	9%
Denied	<u>16</u>	<u>0</u>	0%
Total	51	3	6%

C. EXAMINERS' FINDINGS

1. Delayed Issuance of 60-Day Holdback Letters and Failure to Issue 60-Day Holdback Letter on Recoverable Depreciation Claim Settlements – 2 Files in Error

N.J.A.C. 11:2-17.8(e) states that, "If a claimant is actively negotiating with an insurer for settlement of a claim, and the claimant's rights may be affected by a statute of limitations or a policy time limit, the insurer shall provide the claimant with written notice that the time limit may be expiring and may affect the claimant's rights. Such notice shall be given to

claimants 60 calendar days before the date on which such time limit may expire.

Contrary to the above regulation, the examiners found on claim HO 0436859 that the 60-day holdback letter was issued after the required time frame. On claim HO 0341963, the Company failed altogether to issue the appropriate 60-day holdback letter even though Cumberland withheld \$237 from the settlement. Consequently, the insured was possibly unaware that this amount was recoverable. The Company agreed with the examiners' findings. See recommendations section.

SEE APPENDIX A-1 FOR A LIST OF FILES IN ERROR

2. Failure to Issue Delay Notice – 1 File in Error

N.J.A.C. 11:2-17.7(e) states that, "If the insurer is unable to settle the claim within the time periods specified in N.J.A.C. 11:2-17.7(c) through (e), the insurer must send the claimant written notice by the end of the payment periods specified in (c) through (e)." N.J.A.C. 11:2-17.7(c)1 mandates that insurers settle first party property/liability claims in a maximum of 30 days from the insurer's receipt of properly executed proofs of loss. Therefore, Cumberland must send the claimant written notice of delay at the expiration of the 30-day settlement period and every 45 days thereafter until all elements of the claim are either honored or rejected. The delay notice is to advise the insured that additional time is needed, state the reason(s) therefor, provide a toll free phone number and address of the office handling the claim, and claim/policy number.

The examiners found one claim (HO 0509468) in which the Company failed to issue a delay notice. In response to the examiners' inquiries, the Company agreed with this error.

SEE APPENDIX A-2 FOR FILE IN ERROR

III. UNDERWRITING AND RATING

A. INTRODUCTION

The examiners reviewed randomly selected homeowner and combination dwelling policy files from Cumberland's book of business that was in force during the review period July 1, 2008 to June 30, 2009. The Company reported 57,163 homeowner policies and 15,106 combination dwelling (fire) policies for a total of 72,269 in-force contracts. The examiners checked for compliance with all applicable New Jersey statutes and regulations including N.J.S.A. 17:29A-6 and 15 (filed and approved rating methodologies), N.J.S.A. 17:23A-4 (Notice of Information Practices) and N.J.S.A. 17:29A-4(d) (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. Separate error ratios are determined for each review sample as indicated in the chart that follows.

<u>Review Category</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
New Business:			
HO	20	20	100%
Dwelling	<u>20</u>	<u>20</u>	100%
Random Sample Sub-totals	40	40	100%
Renewals:			
HO	20	20	100%
Dwelling	<u>21</u>	<u>21</u>	100%
Random Sample Sub-totals	41	41	100%
New/Renewal Totals	81	81	100%
Mail Review:			

HO	6	6	100%
Dwelling	<u>4</u>	<u>4</u>	100%
Mail Review Total	10	10	100%

C. EXAMINERS' FINDINGS

Excluding select mail review samples, the examiners randomly selected and reviewed 40 homeowner and 41 combination dwelling fire policies to verify that the Company followed its written underwriting guidelines. The examiners also reviewed for correct assignment of protective classification codes, proper application of protective device premium discounts and issuance of required policyholder disclosures. The results of this review are as follows.

1. Deficient Flood Notice – 91 Files in Error (81 Random Sample and 10 Mail Review Files) – (Improper General Business Practice)

Pursuant to **N.J.A.C. 11:1-5.5(a)1** through 7, insurers are required to provide insureds with flood insurance informational disclosures on an annual basis. The examiners determined that Cumberland's flood notice failed to include one of the seven required informational items. Specifically, this form failed to include the following language:

- a. **N.J.A.C. 11:1-5.5(a)4**: "A separate policy of flood insurance may be available to cover flood damage at an additional premium."

The company agreed with the examiners' finding. The examiners cited this error as an improper general business practice.

SEE APPENDIX B-1 FOR A LIST OF POLICIES IN ERROR

2. Failure to Provide Mold/Fungus Notice – 91 Files in Error (81 Random Sample and 10 Mail Review Files)

New Jersey Department of Banking and Insurance **Bulletin No. 03-24** advised insurers to provide policyholders with a notice that offers higher limit options on mold/fungus coverage. Contrary to this Bulletin, Cumberland failed to issue this notice to its policyholders. In response to the examiners' inquiries, the Company acknowledged that it does not comply with the bulletin. Cumberland further advised that it would take immediate action to implement a policyholder notice offering the applicable property and liability limits.

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

3. Failure to Provide Protective Device Discount – 1 File in Error

N.J.S.A. 17:29A-6 and 15 requires an insurer to file its rating system with the Department and to observe those rates. N.J.S.A. 17:29A-4(d) requires insurers to give a rate reduction for fire insurance on structures equipped with operative smoke detection devices.

Contrary to N.J.S.A. 17:29A-6 and 15 and N.J.S.A. 17:29A-4(d) Cumberland's agent failed to provide the applicable protective device discount as required on new business policy HO 6511987. This error resulted in a premium overcharge of \$55.00. The Company agreed with the examiners' finding and credited the insured's policy.

THIS POLICY IS ALSO LISTED IN APPENDIX B-3

D. OTHER FINDINGS

1. Fuel Oil Storage Tank Exclusion and Buyback Option

Cumberland's current underwriting guidelines stipulate that new business applicants with in-ground oil tanks are ineligible for insurance coverage. The Company does, however, offer a separate fuel oil and storage tank liability endorsement on homeowner and dwelling fire new business policies. The limit of liability is \$100,000.00 for above-ground and basement fuel oil tanks. During this review, the examiners found no rating or underwriting errors involving fuel oil storage tanks.

E. MAIL REVIEW

The examiners conducted a mail review at Cumberland's Bridgeton, NJ location. The examiners reviewed three homeowners new business packages, two dwelling fire new business packages, three homeowners renewal packages and two dwelling fire renewal packages. The examiners checked the Company's outgoing mail operation to verify that new business and renewal packages were sent in a timely fashion, and to determine if the Company included all required notices and informational disclosures. The examiners found all ten mail packages included the deficient flood notice and did not contain the required mold/fungus exclusion notice.

IV. TERMINATIONS REVIEW

A. INTRODUCTION

During the review period July 1, 2008 to June 30, 2009, Cumberland cancelled 170 new business policies within the first 60 days and cancelled 548 policies beyond the first 60 days, which includes non-pay cancellations and cancellations at the insured's request. In the same period, the Company non-renewed 125 policies. The examiners randomly selected and reviewed 45 non-renewals, 45 first 60-day cancellations, 12 pieces of mail (ten midterm cancellation and two non-renewal notices not derived from the random sample) and 60 midterm cancellations for a total of 162 files reviewed. The examiners checked for compliance with applicable statutes and regulations including N.J.A.C. 11:1-20.2 (non-renewal 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 non-renewal underwriting guidelines). The examiners also utilized the NAIC Market Regulation Handbook, Chapters 16 and 17, as a guide to conduct this review.

B. 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 Category</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
Nonrenewals:			
HO	35	3	9%
Dwelling	<u>10</u>	<u>0</u>	0%
Sub-total	45	3	7%
Cancellations:			
First 60 Day			
HO	25	1	4%
Dwelling	<u>20</u>	<u>0</u>	0%

Sub-total	45	1	2%
Midterm			
HO	35	0	0%
Dwelling	<u>25</u>	<u>0</u>	0%
Sub-total	60	0	0%
Overall Random Totals	150	4	3%
Mail Review			
HO	7	0	0%
Dwelling	<u>5</u>	<u>0</u>	0%
Overall Mail Review	12	0	0%

C. EXAMINERS' FINDINGS

Excluding twelve (seven homeowner and five combination dwelling fire) files selected from the Company's mail room, the examiners randomly selected and reviewed 95 homeowner and 55 combination dwelling fire policies from the Company's overall termination population to confirm that the Company adhered to its filed underwriting guidelines and applicable statutes and regulations governing cancellations and non-renewals. The results of this review are as follows.

1. Failure to Properly Apply Underwriting Guidelines on Nonrenewals - 3 Files in Error

N.J.A.C. 11:1-20.4(g) requires that, only those guidelines in effect on a policy renewal date can be used to nonrenew a policy. N.J.A.C. 11:1-20.2(a) requires that the insurer send a valid written nonrenewal notice to the insured for the nonrenewal to be proper and effective. The examiners found that Cumberland nonrenewed three policies due to adverse loss experience. Contrary to N.J.A.C. 11:1-20.4(g), however, each notice included a loss date that exceeded the applicable experience period identified in the Company's underwriting guidelines. These notices are therefore invalid within the context of N.J.A.C. 11:1-20.2(a). The Company agreed with these three errors.

SEE APPENDIX C-1 FOR DESCRIPTION OF POLICY ERRORS

2. Failure to Provide Factual Basis for 60-Day Cancellation - 1 File In Error

N.J.A.C. 11:1-20.2(g) requires the insurer to provide a cancellation notice which contains the standard or reason upon which the termination is premised and specifies in detail the factual basis upon which the insurer relies.

Cumberland terminated policy HO 6510794 contrary to the requirements outlined in N.J.A.C. 11:1-20.2(g). This notice merely stated the following: "Reason for Cancellation: This policy is being cancelled under N.J.A.C. 11:1-20.4(1) - Under this regulation we may cancel a policy which has been in effect for less than 60 days at the time notice of cancellation is mailed or delivered. The reason for this cancellation follow(s): Our current underwriting guidelines state that risks that have or have ever had underground oil tanks or kerosene tanks are ineligible for our homeowners program." The Company's Notice stated that risks that have or ever had an underground oil tank are ineligible for coverage but did not state the actual presence or prior presence of a tank. Therefore, the factual basis for the cancellation is uncertain. In response to an inquiry, the Company agreed with this error.

THIS POLICY IS ALSO LISTED IN APPENDIX C-2

D. MISCELLANEOUS

The examiners were not able to review declinations as requested in the call letter; the Company stated that it does not retain copies of applications that do not become policies.

E. MAIL REVIEW

The examiners conducted a mail review at Cumberland's Bridgeton, NJ location. The examiners checked the Company's outgoing mail operation to verify that termination packages were sent in a timely fashion, and to determine if the Company included all required notices and informational disclosures. The examiners found no errors.

V. RECOMMENDATIONS

Cumberland Mutual Fire 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 Cumberland 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.

Various non-compliant practices were identified in this report, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to New Jersey law and regulations. When applicable, corrective action for other jurisdictions should be addressed.

The examiners acknowledge that during the examination, Cumberland 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 Roebing 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 should be sent to the insured with an accompanying cover letter containing the following first paragraph (variable language is include in parentheses):

Premium Refund/Adjustment

"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 failed to provide a protective device discount for your smoke detector. Enclosed is our (payment/credit) in the amount of (\$000.00) to correct our error."

B. CLAIMS

1. In order to comply with N.J.A.C. 11:2-17.8(e), the Company must provide written instruction to all appropriate personnel stating that insurers must send written notice to insureds, not represented by an attorney, advising that their rights may be affected by a policy time limit on the settlement of a claim.

Specifically, in instances where payment is made based on ACV, this notice must state that the policy provides up to 180 days from notice of loss for the insured to make claim for additional liability which includes depreciation holdback in the event that a claim is settled on an actual cash value basis where replacement or repair costs exceed the actual replacement cost. This notice must be sent 60 calendar days before expiration of the 180-day time limit.

Cumberland should reopen claim HO 0341963 to allow the first party claimant the option to pursue recoupment of the depreciation amount that was deducted from the replacement cost settlement value. In the event that the claimant submits documentation necessary to demonstrate eligibility, Cumberland should issue supplemental payment as warranted. See general instructions for appropriate cover letter to the insured.

2. In order to comply with N.J.A.C. 11:2-17.7, the Company should remind all appropriate personnel that a delay notice must be sent at the expiration of the 30-day settlement period and every 45 days thereafter until all elements of the claim have been honored.

C. UNDERWRITING AND RATING REVIEW

3. In order to comply with N.J.A.C. 11:1-5.5(a)4, the Company must revise the flood notice to include the following information:

“A separate policy of flood insurance may be available to cover flood damage at an additional premium.”

4. The Company must issue written instructions to all appropriate personnel stating that, pursuant to DOBI's **Bulletin No. 03-24**, insurers should provide policyholders with a notice offering higher limit options on mold/fungus coverage where applicable.

5. The Company must issue written instructions to all appropriate personnel stating that N.J.S.A. 17:29A-6 and **15** and N.J.S.A. 17:29A-4(d) require insurers to follow their filed and approved rating plan and

provide a rate reduction on the fire insurance premium where structures are equipped with operative smoke detectors. Cumberland should either credit or refund policy HO 6511987 from inception for the appropriate discount. See general instructions for cover letter.

D. TERMINATION REVIEW

6. The Company should advise all applicable personnel that, pursuant to N.J.A.C. 11:1-20.4(g), only those underwriting guidelines that are in effect on the policy renewal date can be used to nonrenew a policy. This advisement should also state that, pursuant to N.J.A.C. 11:1-20.2(a), a nonrenewal notice is invalid when an insurer does not comply with other regulatory requirements such as those outlined in N.J.A.C. 11:1-20.4(g).

7. Cumberland should issue written instructions to all personnel that N.J.A.C. 11:1-20.2(g) requires the insurer to provide a cancellation notice that specifies in detail the factual basis upon which the insurer relies.

APPENDIX A – CLAIM ERRORS

1. Delayed Issuance of 60-Day Holdback Letters and Failure to Issue 60-Day Holdback Letter on Recoverable Depreciation Claim Settlement- 2 Files in Error

<u>Claim Number</u>	<u>Settlement Date</u>	<u>Date 60 Day Letter Due</u>	<u>Holdback Expiration Date</u>	<u>Date of Holdback Letter</u>	<u>Notice Time</u>
HO 0436859	12/09/08	04/08/09	06/07/09	04/14/09	54 days
HO 0341963	01/14/09	05/14/09	07/13/09	0	0

2. Failure to Issue Delay Notice – 1 File in Error

<u>Claim Number</u>
HO 0509468

APPENDIX B – UNDERWRITING AND RATING ERRORS

1. Deficient Flood Notice – 91 Files in Error (81 Random Sample and 10 Mail Review Files) – (Improper General Business Practice)

Policy Number		
CD 0662545*	CD 5003897*	CD 5004242*
CD 5004430*	CD 5004477*	CD 5004519*
CD 5004558*	CD 5004567*	CD 5004615*
CD 5004663*	CD 5004736*	CD 5004821*
CD 5004847*	CD 5004923*	CD 5004958*
CD 5004977*	CD 5005013*	CD 5005158*
CD 5005227*	CD 5005535*	HO 0535541*
HO 0535834*	HO 0535836*	HO 0535845*
HO 6510499*	HO 6510601*	HO 6511987*
HO 6512018*	HO 6512180*	HO 6512203*
HO 6512576*	HO 6513167*	HO 6513204*
HO 6513391*	HO 6513646*	HO 6513947*
HO 6514074*	HO 6514282*	HO 6514295*
HO 6514301*	CD 0601607	CD 0611474
CD 0614203	CD 0629413	CD 0629433
CD 0630772	CD 0639181	CD 5000103
CD 5001069	CD 5001678	CD 5001699
CD 5001701	CD 5001703	CD 5001743
CD 5001788	CD 5001887	CD 5001890
CD 5002261	CD 5002308	CD 5003774
CD 5004248	HO 0339818	HO 0343459
HO 0349524	HO 0356383	HO 0359252
HO 0363863	HO 0364571	HO 0367782
HO 0453586	HO 0459171	HO 0461141
HO 0463300	HO 0465068	HO 0506537
HO 0507043	HO 0510918	HO 6504593

HO 6505595	HO 6506345	HO 6507163
HO 6516337*+	HO 6516335*+	HO 6516334*+
CD 5006171*+	CD 5006169*+	CD 0616313+
CD 0616393+	HO 0337529+	HO 0376471+
HO 0377390+		

* New Business, otherwise Renewal

+ Mail Review

2. Failure to Provide Mold/Fungus Notice – 91 Files in Error (81 Random Sample and 10 Mail Review Files)

<u>Policy Number</u>		
CD 0662545*	CD 5003897*	CD 5004242*
CD 5004430*	CD 5004477*	CD 5004519*
CD 5004558*	CD 5004567*	CD 5004615*
CD 5004663*	CD 5004736*	CD 5004821*
CD 5004847*	CD 5004923*	CD 5004958*
CD 5004977*	CD 5005013*	CD 5005158*
CD 5005227*	CD 5005535*	HO 0535541*
HO 0535834*	HO 0535836*	HO 0535845*
HO 6510499*	HO 6510601*	HO 6511987*
HO 6512018*	HO 6512180*	HO 6512203*
HO 6512576*	HO 6513167*	HO 6513204*
HO 6513391*	HO 6513646*	HO 6513947*
HO 6514074*	HO 6514282*	HO 6514295*
HO 6514301*	CD 0601607	CD 0611474
CD 0614203	CD 0629413	CD 0629433
CD 0630772	CD 0639181	CD 5000103
CD 5001069	CD 5001678	CD 5001699
CD 5001701	CD 5001703	CD 5001743
CD 5001788	CD 5001887	CD 5001890

CD 5002261	CD 5002308	CD 5003774
CD 5004248	HO 0339818	HO 0343459
HO 0349524	HO 0356383	HO 0359252
HO 0363863	HO 0364571	HO 0367782
HO 0453586	HO 0459171	HO 0461141
HO 0463300	HO 0465068	HO 0506537
HO 0507043	HO 0510918	HO 6504593
HO 6505595	HO 6506345	HO 6507163
HO 6516337*+	HO 6516335*+	HO 6516334*+
CD 5006171*+	CD 5006169*+	CD 0616313+
CD 0616393+	HO 0337529+	HO 0376471+
HO 0377390+		

* New Business, otherwise Renewal

+ Mail Review

3. Failure to Provide Protective Device Discount - 1 File in Error

<u>Policy Number</u>	<u>Protective Device Discount</u>
*HO 6511987	\$55.00

*New Business.

APPENDIX C – TERMINATION ERRORS

1. Failure to Properly Apply Underwriting Guidelines on Nonrenewals - 3 Files in Error

<u>Policy Number</u>	<u>Nonrenewal Date</u>	<u>Nonrenewal Guideline Criteria</u>	<u>Deficiency (Loss Date Not Meeting Notice Criteria)</u>
HO 0406799	10/4/08	>=2 Losses in last 3 years	3/30/05
HO 0442805	10/30/08	>=3 Losses in last 5 years	6/14/03
HO 0523284	9/22/08	>=2 Losses in last 3 years	9/19/05

2. Failure to Provide Factual Basis for 60-Day Cancellation – 1 File in Error

<u>Policy Number</u>	<u>Reason on Cancel Notice</u>	<u>Deficiency</u>
HO 6510794	This policy is being cancelled under N.J.A.C. 11:1-20.4(1) - Under this regulation we may cancel a policy which has been in effect for less than 60 days at the time notice of cancellation is mailed or delivered. The reason for this cancellation follow(s): Our current Underwriting Guidelines state that risks that have or have ever had underground oil tanks or kerosene tanks are ineligible for our Homeowners Program.	Failed to relate oil tank specifics to the policy's dwelling/property. For example, the type of tank, location and source of the information with date.

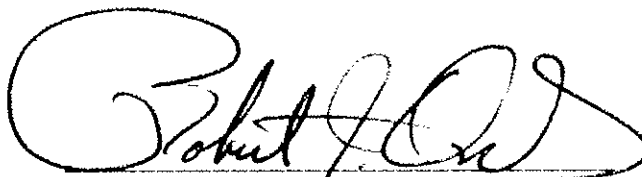
VERIFICATION PAGE

I, Robert J. Only, am the Examiner-in-Charge of the Market Conduct Examination of Cumberland Mutual Fire 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 Cumberland Mutual Fire Insurance Company as of November 3, 2009.

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.

June 4, 2010
Date



Robert J. Only
Examiner-In-Charge
New Jersey Department
of Banking and Insurance