OHIO DEPARTMENT OF INSURANCE

A

MARKET CONDUCT EXAMINATION

OF

WAYNE MUTUAL INSURANCE COMPANY

NAIC # 16799

As Of

September 30, 2004

OHIO Department of INSURANCE

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 target market conduct examination was conducted on the Ohio business of:

Wayne Mutual Insurance Company NAIC# 16799

The examination was conducted at the Company's statutory home office at:

3873 Cleveland Road
Wooster, Ohio 44691

A report of the examination is enclosed.

Respectfully submitted,

David R. Beck — September 23, 2005
David R. Beck — Date
Chief, Market Conduct Division

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FOREWORD

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

SCOPE OF EXAMINATION

On September 24, 2004, the Market Conduct Division, Ohio Department of Insurance ("Department"), opened an examination into the non-financial business practices of Wayne Mutual Insurance Company ("Company") by sending the Company a call letter and initial request for information. On January 17, 2005, the on-site portion of the examination began at the Company's statutory home office in Wooster, Ohio.

The examination was restricted to a review of Company activities for Ohio private passenger automobile ("automobile") and homeowner insurance policies for the period of October 1, 2003, through September 30, 2004. The Company's financial responsibility bond writings were not included in this examination. The examination report 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.

Accordingly, the examination included the following areas of the Company's operations:

A. Company History
B. Company Operations
C. Certificate of Authority
D. Compliance
E. Comprehensive Loss Underwriting Exchange
F. Underwriting and Rating
G. Claims
H. Policyholder Services

METHODOLOGY

As part of the examination, the Department's examiners reviewed the Company's automobile and homeowner policy and claim files and the Company's corresponding procedure manuals. This information was supplemented by interviewing Company managers and/or 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.

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 pulled 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

In 1910, Wayne Mutual Insurance Company was organized as the Wayne Insurance Association. On November 19, 1962, Wayne Insurance Association was re-organized from an assessment mutual to an advance premium mutual insurance company and the current name, Wayne Mutual Insurance Company, was adopted.

COMPANY OPERATIONS

The Company is an Ohio mutual company, with its statutory home office in Wooster, Ohio. Wayne Mutual Insurance Company is only licensed in Ohio. The Company specializes in personal automobile, homeowners, farmowners, dwelling fire coverages, and commercial multi-peril policies. Policies are issued on a non-assessable basis and marketed through a network of approximately 100 independent agents. In accordance with R.C. 3935.10 and 3937.12, the

Company's personal lines statistical loss experience is reported quarterly to the National Independent Statistical Service.

For calendar year 2003, the Company reported total automobile and homeowners direct written premium of $14,065,291 and direct losses incurred of $8,153,711. The Company's year-end 2003 written premium and loss information from the Company's Financial Annual Statements appear below.

2003 Private Passenger Auto Company	Ohio Direct Written	Ohio Incurred Losses
Wayne Mutual Insurance Company	$9,823,155	$5,302,591

2003 Homeowners Company	Ohio Direct Written	Ohio Incurred Losses
Wayne Mutual Insurance Company	$4,242,136	$2,851,120

As of December 31, 2003, the officers of the Company were:

President and Treasurer	Tod J. Carmony
Vice President-Claims	David E. Tschantz
Vice President-Operations	Timothy J. Suppes
Vice President-Underwriting	R. Michael Miller
Secretary	Morris Stutzman

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.

COMPLIANCE

The Company does not have a compliance department. The Claims and Underwriting Vice Presidents are responsible for ensuring procedural compliance with the pertinent statutes and rules applicable to their respective departments. Full-time supervisory employees and/or independent contractors conduct internal audits on behalf of the Company. During the examination period only the Claims Department had conducted an internal audit.

Audit reports are given to the Claims Vice President, who transmits them to the Company President with comments and any proposed remedial actions. The Company President has the ultimate responsibility for compliance results.

The Company does not conduct regularly scheduled communication meetings to discuss audit results. Any Vice President that finds a problem with procedures normally communicates with the department employees through electronic mail or during a department meeting. Individual employees are counseled on the audit results and are given the opportunity for input and rebuttal.

The Vice Presidents are not only responsible for procedural compliance, but also for familiarity with Ohio statutes and rules relevant to their respective departments. Any updates to laws received by members of management or the staff attorney are communicated via electronic mail to all members of management. In most cases, the appropriate Vice President or manager simply notifies his/her employees that procedures are changing and why. In rare cases, a full staff meeting is held to discuss the impact of a new law or regulation on company operations.

COMPREHENSIVE LOSS UNDERWRITING EXCHANGE (C.L.U.E.)

C.L.U.E. information is utilized on all new business automobile and homeowner risks for underwriting and rating purposes. The Company reports both automobile and homeowner loss information to C.L.U.E., consistent with the data specifications provided by C.L.U.E. Basically, if a claim file is entered on the system, the designated information will be swept by C.L.U.E. on a periodic basis.

When inquiries are received by the Company, no entry is made on the computer system indicating a claim. Inquiries are defined by the Company as "simple inquiries to one of our agents or any of our Company personnel regarding policy coverages or regarding how to proceed on a potential claim." Therefore, an inquiry is not collected by C.L.U.E. during the sweep of the Company's system during the individual risk consideration processes. Any additional information that is provided along with the inquiry may be utilized in underwriting decisions.

The Company investigates and evaluates any report by a potential insured that challenges the information provided by C.L.U.E.

UNDERWRITING AND RATING

Automobile New Business:

Methodology:
The Company supplied a report of all automobile new business policies with premium surcharges and/or premium credits that occurred during the examination period. The examiners selected a sampling of new business files to test for compliance.

- The examiners reviewed all Company procedure manuals as part of the examination process.
- Credits and surcharges, car symbols, and rate class administration were also reviewed.
- The examiners considered any credits and/or surcharges that were not applied or removed per statutes and rules or Company filings to be an exception.

- The examiners considered any vehicle or driver classifications that were applied incorrectly to be an exception.

Standard 1: The Company's application or removal of surcharges and/or credits is consistent with its filings and the required Ohio statutes and rules.
Test 1: Did the Company apply and remove surcharges and credits consistent with its filings and in compliance with R.C. 3901.21(M) and 3937.03?

Findings:

Population	Sample	Yes	No	Standard	Compliance
1,301	50	50	0	90%	100%

The standard for compliance is 90%. The Company's handling practices were above this standard.

Standard 2: The Company's application of vehicle and driver classifications is in compliance with its filings and the required Ohio statutes and rules.
Test 2: Did the Company apply vehicle and driver classifications consistent with its filings in compliance with R.C. 3901.21(M) and 3937.03?

Findings:

Population	Sample	Yes	No	Standard	Compliance
1,301	50	50	0	90%	100%

The standard for compliance is 90%. The Company's handling practices were above this standard.

Automobile Discounts and Surcharges:
Standard: The Company's application or removal of surcharges and/or credits is consistent with its filings and the required Ohio statutes and rules.

Test: Did the Company apply and remove surcharges and/or credits consistent with its filings and in compliance with information specified in R.C. 3901.21 and 3937.03?

Methodology:
The Company supplied a report of all in-force automobile policies with premium surcharges and/or premium credits that occurred during the examination period. The examiners selected a sampling of existing business files to test for compliance.

- The examiners reviewed all Company procedure manuals as part of the examination process.
- The examiners considered to be an exception any credits and/or surcharges that were not applied or removed per statutes and rules or Company filings to be an exception.

Findings:

Population	Sample	Yes	No	Standard	Compliance
9,707	100	100	0	90%	100%

The standard for compliance is 90%. The Company's handling practices were above this standard.

Automobile Territory Rate Classification

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

Test: Did the Company apply automobile rating territory classifications to its private passenger automobile new business in a manner that conforms to R.C. 3937.03(H), 3901.20, 3901.21(M), and the fourth from the last paragraph of R.C. 3901.21?

Methodology:

The Company supplied a data file of all new business automobile policies containing the garaging location and territory code assigned to that policy. The Company also supplied a data file outlining territory codes used during the examination period.

- Based on the garaging address supplied, the examiners sent the data to the Ohio Department of Administrative Services to determine the actual location of the address (i.e. municipality, township and county).
- Each company-defined territory was considered a separate population to verify the assignment of the proper automobile rating territory.
- The examiners considered all instances in which the territory classification assigned did not match the classification filed for the policy garaging location to be an exception.
- A territory was considered out-of-compliance for any location in which the assigned rating territory and the reported location did not match in more than 10% of the total number of policies reported for that territory.

Findings:

Number of Territories	Territories in Compliance	Territories Not in Compliance
31	25	6

Number of Policies	Policies in Compliance	Policies Not in Compliance
1,301	1,248 (96%)	53 (4%)

The results of the automobile territory compliance review indicate that the Company was generally, in compliance with its filed territory rate classifications.

Examiner Comments:

Although the overall territory results were in compliance, the Columbus territory was not compliant. Nearly 38% of policies located in the city of Columbus were not rated in that territory. There were also more policies rated in suburban Columbus territories than the total number of policies issued there.

Examiner Recommendation:

- The Company should evaluate all policies written or in-force since October 1, 2003. Individual policies should be evaluated to determine whether the territory assignment is correct and whether over or undercharging of premium occurred.
- If overcharging of premium occurred, the Company should take the necessary action to correct the territory assignment and refund any overcharged premium amount to the policyholder, computed retroactively to the new business date of the policy, or if written before October 1, 2003, the first renewal date after that date.
- If undercharging of premium occurred, the Company should make any necessary territory and/or premium corrections on the next renewal date of the policy, or if written before October 1, 2003, the first renewal date after that date.

Policy Cancellation and Nonrenewal—General Methodology

All automobile and homeowner policies in-force more than ninety (90) days and subsequently terminated at the Company's initiative for any reason during the examination period were supplied by the Company.

- The examiners reviewed all company procedure manuals as part of the examination process.
- The examiners segmented the terminated policy file by termination reason into three populations—policies canceled by the Company for non-payment of premium, policies canceled by the Company for any other reason, and policies not renewed by the Company.
- The examiners selected a random sample from each population. For automobile non-renewal cancellations, automobile policies canceled for other than non-payment of premium, homeowner non-renewal cancellations, and homeowner policies canceled for other than non-payment of premium, the entire populations were reviewed.
- The examiners removed one file from the automobile policies canceled for other than non-payment of premium population because the cancellation was a non-payment of premium cancellation.

Automobile Policy Cancellation—Non-payment of Premium

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

Test: Did the Company's cancellation procedures conform to R.C. 3937.31, 3937.32, and 3937.33?

Test Methodology:

- The examiners considered any policy that terminated for non-payment of premium with less than ten (10) days notice to be an exception.
- The examiners considered any policy termination notice that did not contain the reason for cancellation or that did not include a statement that such explanation would be provided within five (5) days after the insured's written request to be an exception.

- The examiners considered any notice that did not include the right to appeal statement to be an exception.

Findings:

Population	Sample	Yes	No	Standard	Compliance
21,692	100	0	100	90%	0%

The standard of compliance is 90%. The Company's practices were below this standard.

Examiner Recommendations:
The Company should revise its forms to include the required "right to appeal" language stated in R.C. 3937.32(F) on all non-payment of cancellation forms.

On January 24, 2005, the Company notified the examiners that the corrected cancellation form was filed and approved by the Department on January 15, 2005 (File number 158578).

Examiner Comments:
The "Billing Statement" form also served as the first notification of cancellation if payment was not received. Although companies are permitted to combine these statements, the first notification of cancellation for non-payment of premium must be clear and specific from the billing portion of the form. The Company's form (Form # "Bill/2002") was not clear or specific. Since this form is being utilized for the dual purpose of a billing statement and a cancellation notice, it is important that it be clearer and specific as to the actual cancellation date and time. It must be understandable to the policyholder that, if they choose to not pay the required premium, this form also serves as the first notice of cancellation.

The examiners recommended two possible options:

- Continue use of the current form, but change the wording to indicate the precise cancellation date, or
- Develop a cancellation notice form that would be sent in the interval between the billing statement and the "Offer to Reinstate" form.

On February 16, 2005, the Company re-filed this revised form with the Department (File number 160718).

Automobile Policy Cancellation—Other than Non-payment of Premium
Standard: Cancellation notices comply with policy provisions, Company guidelines, and the required Ohio statutes and rules.

Test: Did the Company's cancellation procedures conform to R.C. 3937.30, 3937.31, 3937.32, and 3937.33?

Test Methodology:

- The examiners considered any policy that terminated with less than thirty (30) days notice to be an exception.

- The examiners considered any policy termination notice that did not contain the reason for cancellation or that did not include a statement that such explanation would be provided within five (5) days after the insured's written request to be an exception.
- The examiners considered any policy termination notice that did not include the "right to appeal" statement to be an exception.
- The examiners considered any policy termination notice that failed to contain the required information, including the policy number, and was not sent to the last known address to be an exception.
- The Examiners considered any notice on which the reason for cancellation did not conform to R.C. 3937.31(A)(1), (2), or (4) to be an exception.

Findings:

Population	Yes	No	Standard	Compliance
9	9	0	90%	100%

The standard of compliance is 90%. The Company's practices were above this standard.

Automobile Policy Non-renewal

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

Test: Did the Company's non-renewal procedures conform to R.C. 3937.30, 3937.31, 3937.32, and 3937.34?

Test Methodology:

- The examiners considered any policy that was not non-renewed in two-year increments to be an exception.
- The examiners considered any policy that was non-renewed with less than thirty (30) days notice prior to expiration date of the policy to be an exception.
- The examiners considered any non-renewal for which the reason for cancellation was not provided at the time of notice or that did not include a statement that the notice would be sent within five (5) days after the insured's written request to be an exception.
- The examiners considered any policy non-renewal notice that failed to contain the required information, including the policy number, and was not sent to the last known address to be an exception.

Findings:

Population	Yes	No	Standard	Compliance
68	68	0	90%	100%

The standard of compliance is 90%. The Company's practices were above this standard.

Homeowner Policy Cancellation—Non-payment of Premium

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

Test: Did the Company's cancellation procedures for non-payment of premium comply with its policy provisions as specified in R.C. 3935.04?

Test Methodology:

- The examiners considered any termination notice that failed to conform to the Company's homeowner policy provisions to be an exception.
- The examiners considered any termination notice that failed to contain the required information and appeal notice to be an exception.

Findings:

Population	Sample	Yes	No	Standard	Compliance
9,886	100	100	0	90%	100%

The standard of compliance is 90%. The Company's practices were above this standard.

Homeowner Policy Cancellation—Other than Non-Payment of Premium Cancellations

Standard: Cancellation notices comply with policy provisions, Company guidelines, and the required Ohio statute and rules.

Test: Did the Company cancellation procedures conform to Ohio Adm.Code 3901-1-18(C)?

Test Methodology:

- The examiners considered any termination notice that was not mailed within 30 days prior to expiration date to be an exception.
- The examiners considered any termination notice that did not contain procedures for making an application to the Ohio FAIR Plan to be an exception.
- The examiners considered any termination notice that did not comply with the Company's homeowner policy provisions to be an exception.

Findings:

Population	Yes	No	Standard	Compliance
123	123	0	90%	100%

The standard of compliance is 90%. The Company's practices were above this standard.

Additional Examiner Observations:

Although no exceptions were noted, the Company should review its cancellation procedures concerning the reasons utilized for canceling policies for 'other than non-payment in premium.' The Company utilizes the terms "vacancy" and "substantial change in risk" in the following situations: (1) the insured sells their home and moves to another, (2) one spouse dies, but the surviving spouse remains on the policy, and (3) when a risk is determined to be a structural loss.

Because the policies are cancelled as "underwriting cancellations" the insured's loss record could be negatively affected which could lead to increased premiums or, in some cases, applications made to the Ohio Fair Plan.

Canceling the policies as "insured's request" or simply making a name change on the policy protects the insured's loss record.

Homeowner Policy Cancellation—Non-Renewal Cancellations

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

Test: Did the Company's non-renewal cancellation procedures conform to Ohio Adm.Code 3901-1-18(C)?

Test Methodology:

- The examiners considered any non-renewal notice that was not mailed within 30 days prior to expiration date to be an exception.
- The examiners considered any non-renewal notice that did not contain procedures for making an application to the Ohio FAIR Plan to be an exception.
- The examiners considered any non-renewal notice that did not comply with the Company's homeowner policy provisions to be an exception.

Findings:

Population	Yes	No	Standard	Compliance
68	38	30	90%	56%

The standard of compliance is 90%. The Company's practices were below this standard.

Examiner Recommendations:

- The Company should revise its non-renewal cancellation procedures and non-renewal notice [Form # WMCN (06/2003)] to include the requirements in Ohio Adm.Code 3901-1-18(C) for making an application to the Ohio FAIR Plan, when applicable.
- The Company should revise its non-renewal cancellation procedures to include requirements for making an application to the Ohio FAIR Plan on any policy non-renewed due to agent cancellation.

GENERAL CLAIM PRACTICES

File Documentation

It was difficult to determine or verify the dates in the claims handling process, particularly the initial contact date with the claimant. The quality of file documentation varied depending on the claims adjuster assigned to the claim. The Company is not in compliance with Ohio Adm. Code 3901-1-54(D)(1) and (2).

Examiner Recommendation:

In order to improve its file documentation and to assure compliance with Ohio Adm.Code3901-1-54(D)(1) and (2):

- The Company should develop a claim handling form for all claims adjusters' use that would provide uniformity and consistency and would assure compliance with required

statutes and rules. The examiners provided the Company with an example of a form that is currently being utilized by one of its independent adjusters that provided the detail needed to meet file documentation standards. This example could be used as a tool in the development of a standardized form.

- Claim file audits should focus on the documentation of dates in the claim handling process.
- Claims procedure manual should be revised to clearly state the importance of documenting each step in the claim handling process.

Procedure Manual Review

The examiners reviewed the Company's claims procedure manual to evaluate its overall claims handling practices. There were two purposes for this review: 1) to assure the Company's procedures were compliant with statutes and rules, and 2) to assure procedures were being followed by the claims adjusters. The examiners found several procedures that were not in compliance:

- The Company's procedure manual only referenced Ohio Adm.Code 3901-1-54. The examiners suggested that the Company's claims adjusters be familiar with Ohio Adm. Code 3901-1-07 as it relates to claims handling in addition to the requirements of Ohio Adm. Code 3901-1-54.
- The Company's manual stated that liability should be determined within sixty (60) days. The Ohio Adm.Code 3901-1-54(G)(1) imposes a twenty-one (21) day limit.
- Procedures should be more detailed to follow Ohio Adm.Code 3901-1-54(H)(7)(a)-(e), when an adjuster attempts to establish proper value of the vehicle. Note: Effective 11-12-2004, Ohio Adm.Code 3901-1-54 was changed. The Company's manual should be updated to reflect these changes.

The examiners determined that the Company's actual implementation of its claim handling practices was compliant with required statutes and rules.

These procedures listed were tested by sample under the Specific Claims Review section.

The Company concurred with the examiners' findings. The manual was immediately revised and a new copy provided to the examiner in charge.

Examiner Recommendations:

The Company should review its claim procedures manual on a regular basis and make any necessary revisions immediately as changes or new procedures are implemented

Status of Investigations

The examiners reviewed the Company's claims procedure manual to assure compliance with Ohio Adm.Code 3901-1-54(G)(1). The Claims Department Manual stated that decisions on the issues of coverage were to be made within sixty (60) days of the receipt of the notice. Ohio Adm.Code 3901-1-54(G)(1) imposes a twenty-one day limit to decide whether to accept or deny such claim(s).

The examiners determined that the actual implementation of its claim handling practices was compliant with required statutes and rules.

This area was also tested by sample under the Specific Claims Review section.

The Company revised the manual to reflect the correct number of days.

Denial of Coverage

The examiners reviewed the Company's claims procedure manual and denial forms to assure compliance with Ohio Adm.Code 3901-1-54(G)(2). The Company was compliant with procedures applicable to denial of claims and the requirement to state the specific provision, condition, or exclusion when utilized.

Statute of Limitations

The examiners reviewed the Company's claims procedure manual to assure compliance with Ohio Adm.Code 3901-1-54(G)(5). The Company was compliant with procedures applicable to the required notification to unrepresented claimants at least sixty (60) days prior to expiration of a statue of limitation or contractual limit.

This area was tested by sample under the Specific Claims Review section.

Fraud Reporting and Anti-Fraud Plan

The examiners reviewed the Company's claims procedure manual to assure compliance with the fraud reporting requirements of Ohio Adm.Code 3901-1-54(G)(1). The Company was in compliance. The Company's fraud plan specifically states that the Fraud Division is to be notified if the Company believes a claimant was involved in possible fraud.

SPECIFIC CLAIM REVIEW

Automobile Paid Claims General Methodology

The Company supplied reports of first and third party automobile claims closed during the exam period. The examiners reviewed either samples or the entire claims population to test for compliance with various sections of Ohio Adm.Codes 3901-1-54 and 3901-1-07.

- The examiners reviewed all Company procedure manuals as part of the exam process.
- Claims for which the amount of covered loss was less than the deductible were considered to be "paid claims."
- The claim files were reviewed to verify dates in the claim settlement process.
- On Collision partial losses, the examiners replaced 7 files because the final claim payment was made outside of the examination period.
- On Collision total losses, the examiners replaced 20 files because the final claim payment was made outside of the examination period.
- On Property Damage partial losses, the examiners replaced 6 files because the final claim payment was made outside of the examination period.
- On Property Damage total losses, the examiners replaced 12 files because the final claim payment was made outside of the examination period.

- On Bodily Injury losses, the examiners replaced 4 files because the final claim payment was made outside of the examination period.

Timely Initial Contact

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

Test: Did the Company make timely contact (within 10 days of receipt of notice) with claimants following the report of a claim as specified by Ohio Adm.Code 3901-1-54(F)(2)?

Test Methodology:

- The examiners considered initial contact to have been made by the Company upon receiving telephone notification from the insured, third party claimant, and/or legal representative.
- The examiners considered any claim on which the Company did not contact the claimant within ten (10) days from the date of notification of the claim to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	429	50	50	0	93%	100%
Collision Total	50	50	49	1	93%	98%
Property Damage Partial	502	50	50	0	93%	100%
Property Damage Total	19	19	19	0	93%	100%
Uninsured/Underinsured Motorist	16	16	16	0	93%	100%
Bodily Injury	155	50	50	0	93%	100%

The standard of compliance is 93%. The Company's claim practices were above this standard.

Timeliness of Claim Settlement

Standard: Claims are resolved in a timely manner.

Test: Did the Company make timely settlement to claimants as specified by Ohio Adm.Code 3901-1-54(G)(6) (first party—10 days) or Ohio Adm.Code 3901-1-07(C)(16) (third party—5 working days)?

Test Methodology:

- Where release by a lienholder or a salvage title was required to settle an automobile claim, the examiners did not consider the claim "payable" until the claimant submitted the required document(s).
- The examiners considered any claim on which the Company failed to make payment to a first party claimant in ten (10) days once the amount was known and agreed to be an exception.

- The examiners considered any claim on which Company failed to make payment to a third party claimant in five (5) working days once the amount was known and agreed to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	429	50	50	0	93%	100%
Collision Total	50	50	50	0	93%	100%
Property Damage Partial	502	50	50	0	93%	100%
Property Damage Total	19	19	19	0	93%	100%
Uninsured/Underinsured Motorist	16	16	16	0	93%	100%
Bodily Injury	155	50	50	0	93%	100%

The standard of compliance is 93%. The Company's claim practices were above this standard.

Application of Comparative Negligence

Standard: Claims are properly handled in accordance with policy provisions and the required Ohio statutes and rules.

Test: Did the Company's claim file document the application of comparative negligence and disclose such information upon the claimant's written request as specified by Ohio Adm.Code 3901-1-54(G)(9)?

Test Methodology:

- The examiners considered any claim on which the Company applied comparative negligence and failed to adequately document the claim file or failed to provide this information to the claimant upon request to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Bodily Injury-Paid	155	50	50	0	93%	100%
Uninsured/Underinsured Motorist	16	16	16	0	93%	100%

The standard of compliance is 93%. The Company's claim practices were above this standard.

Use Of Non-Original Equipment Manufacturer Parts In Repair Estimates

Standard: Claims are properly handled in accordance with policy provisions and the required Ohio statutes and rules.

Test: When applicable, did the written estimate by or on behalf of the insurer clearly indicate the use of Non-Original Equipment Manufacturer Aftermarket Crash Parts ("Non-OEM") in accordance with Ohio Adm.Code 3901-1-54(H)(4)?

Test Methodology:

- The examiners considered any claim on which the Company failed to clearly show on its repair estimate when Non-OEM parts were included in the repair estimate to be an exception.
- The examiners considered any claim on which the Company's written estimate did not contain the following language required by R.C. 1345.81: "This estimate has been prepared based upon the use of one or more aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these aftermarket crash parts are provided by the parts manufacturer or distributor rather than by your own motor vehicle manufacturer," to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	429	50	50	0	93%	100%
Property Damage Partial	502	50	50	0	93%	100%

The standard of compliance is 93%. The Company's claim practices were above this standard.

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

Standard: Claims are properly handled in accordance with policy provisions and the required Ohio statutes and rules.

Test: When applicable, did the written estimate by or on behalf of the insurer clearly indicate the location of the licensed salvage dealer where the "like kind and quality" ("LKQ") parts are to be obtained as specified by Ohio Adm.Code 3901-1-54(H)(4)?

Test Methodology:

- The examiners considered any claim on which the Company failed to clearly show on its repair estimate that LKQ parts were used in the repair estimate to be an exception.
- The examiners considered any claim on which the Company failed to clearly show on its repair estimate the location of the licensed salvage dealer where the LKQ parts were to be obtained to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	429	50	43	7	93%	86%
Property Damage Partial	502	50	50	0	93%	100%

The standard of compliance is 93%. The Company's claim practices were below this standard in one line of business.

Examiner Recommendation:
The Company should update its claim handling procedures on partial losses to require the licensed salvage dealer's address to be listed when the use of LKQ parts are involved during the development of repair estimates.

Vehicle Total Loss—Actual Cash Value
Standard: Claims are properly handled in accordance with policy provisions and the required Ohio statutes and rules.

Test: Did the Company calculate actual cash value ("ACV") on total losses in a manner that conformed to Ohio Adm.Code 3901-1-54(H)(6)(a-d) and (H)(7)(a-e)?

Test Methodology:
- The examiners considered any claim on which the Company's ACV calculation did not conform to the requirements of Ohio Adm.Code 3901-1-54(H)(6)(a-d) and (H) (7)(a-e).
- The examiners considered any claim on which the Company failed to advise the first-party claimant of his/her right to renegotiate the claim within thirty-five (35) days of the settlement if a comparable vehicle is not available for purchase to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	50	50	50	0	93%	100%
Property Damage Total	19	19	19	0	93%	100%

The standard of compliance is 93%. The Company's claim practices were above this standard.

Vehicle Total Loss-Sales Tax
Standard: Claims are properly handled in accordance with policy provisions and the required Ohio statutes and rules.

Test: Did the Company conform to sales tax provisions as specified by Ohio Adm.Code 3901-1-54(H)(6)(c) and (H)(7)(e)?

Test Methodology:
- The examiners considered any claim on which the Company's sales tax payment/reimbursement did not conform to the requirements of Ohio Adm.Code 3901-1-54(H)(6)(c) and (H)(7)(e) to be an exception.
- The examiners considered any claim on which the Company failed to use local sales tax rates to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	50	50	50	0	93%	100%
Property Damage Total	19	19	19	0	93%	100%

The standard of compliance is 93%. The Company's claim practices were above this standard.

Fair and Reasonable 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: Did the Company offer to claimants, who have made fair and reasonable claims and in which liability has become reasonably clear, amounts which were fair and reasonable as shown by the insurer's investigation of the claim, providing the amounts so offered were within policy limits in accordance with policy provisions and in which liability has become reasonably clear in compliance with Ohio Adm.Code 3901-1-07(C)(6)?

Test Methodology:

- The examiners considered any claim on which the Company's claim file did not document that the settlement amount offered and/or paid was fair and reasonable to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorist	16	16	16	0	93%	100%
Bodily Injury-Paid	155	50	50	0	93%	100%

The standard of compliance is 93%. The Company's claim practices were above this standard.

Pattern Settlements and Litigation

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: Did the Company comply with R.C. 3901.21(P), in conjunction with Ohio Adm.Code 3901-1-54(G)(9), which prohibit the use of pattern settlements?

Test Methodology:

- The examiners considered any claim on which the Company's claim file showed any indication of the Company's deliberate action to compel a claimant to sue to be an exception.
- The examiners considered any claim on which the Company's claim file showed any indication of an offer of a pattern settlement to be an exception.
- The examiners considered any claim on which the Company's claim file showed any indication that the Company failed to disclose to the insured all coverages available under the contract to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorist	16	16	16	0	93%	100%
Bodily Injury-Paid	155	50	50	0	93%	100%

The standard of compliance is 93%. The Company's claim practices were above this standard.

Subrogation Recovery

Standard: To assure prompt, fair, and equitable settlements, an insurer shall include the first-party claimant's deductible, if any, in subrogation demands.

Test: Did the Company include the first-party claimant's deductible, if any, in its subrogation demands in order to conform to Ohio Adm.Code 3901-1-54(H)(10)?

Methodology:

The Company supplied a report of all paid automobile subrogation claims files closed during the examination period. The examiners selected to review the entire population to test for compliance.

- The examiners reviewed all Company procedure manuals as part of the exam process.
- The claims files were reviewed to verify the Company's claims settlement practices.
- The examiners considered any subrogation on which the Company did not return the first-party claimant's deductible upon recovery of its subrogation demand to be an exception.
- The examiner considered any subrogation on which partial recovery occurred, but the Company did not return the partial amount recovered to be an exception.

Findings:

Population	Yes	No	Standard	Compliance
37	37	0	93%	100%

The standard of compliance is 93%. The Company's claim practices were above this standard.

Homeowner Paid Claims General Methodology

The Company supplied a report of all Homeowner Structure and Contents paid claims that occurred during the exam period. The examiners reviewed a sampling of claims files to test for compliance.

- The examiners reviewed all Company procedure manuals as part of the exam process
- The Company was unable to distinguish whether claim payment was made under Structure or Contents coverage. Therefore, samples of 100 files were selected containing both coverages.
- The examiners replaced four files because the last date of claim payment was outside the exam period.

- The claims files were reviewed to verify dates in the claims settlement process.
- The claims files were reviewed to verify the Company's claim settlement practices.

Timely Initial Contact
Standard: The initial contact by the Company with the claimant is within required timeframes.

Test: Did the Company make timely contact (within 10 days of receipt of notice) with claimants following the report of a claim per Ohio Adm.Code 3901-1-54(F)(2)?

Test Methodology:
- The examiners considered any claim on which the required contact or investigation was not done in the required timeframes to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Structure and Contents	595	100	98	2	93%	98%

The standard of compliance is 93%. The Company's claim practices were above this standard.

Timely Claim Payments
Standard: Claims are resolved in a timely manner.

Test: Did the Company make timely payment (within 10 days after acceptance) to first-party claimants per Ohio Adm.Code 3901-1-54(G)(6)?

Test Methodology:
- The examiners considered any claim on which the claim payment was not made in the required timeframe to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Structure and Contents	595	100	97	3	93%	97%

The standard of compliance is 93%. The Company's claim practices were above this standard.

Settlement Amounts/Sales Tax Requirements
Standard: Claims are properly handled in accordance with policy provisions and the required Ohio statutes and rules.

Test: Did the Company calculate the settlement amount in a manner that conforms to Ohio Adm. Code 3901-1-54(I) and its contracts?

Test Methodology:
- The examiners considered any claim on which the Company's calculation of the settlement amount was done incorrectly to be an exception.

- The examiners considered any claim on which the Company's claim file did not document the payment of sales tax as required to be an exception.

Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Structure and Contents	595	100	99	1	93%	99%

The standard of compliance is 93%. The Company's claim practices were above this standard.

TREASURY CERTIFICATE/DEMOLITION FUND

The examiners reviewed procedure manuals to assure compliance to R.C. 3929.86(A) and (B). Specifically, the examiners reviewed the provision that, prior to making a payment on a structural fire loss in excess of $5,000, the insurer must have received from the named insured a certificate from the county treasurer stating that no property taxes were outstanding. The examiners also reviewed the procedure manuals to determine if the Company makes escrow payments to any city, town, or village which have enacted "demolition fund ordinances."

In a response to" Request For Information," the Company stated that, "there is no requirement to comply with this law set forth in our claims manual. However, all three of our adjusters are familiar with the requirements of this law. Also, all three know how to do, and do, access the updated list of municipalities and townships that have filed the proper ordinances or resolutions on the Ohio Department of Insurance or Ohio Insurance Institute's websites when handling total loss property claims. Compliance is verified as part of claim file audits conducted by the Vice President-Claims in the past and which will be conducted by the Claims Manager in the future."

The Company revised its claims procedure manual to comply with R.C. 3929.86(A) and (B). A copy of the revised manual was provided to the examiner in charge.

POLICYHOLDER SERVICES

Consumer Complaints General Methodology

The Company supplied a report of all complaint files that occurred during the exam period. The examiners selected to review all the complaint files to test for compliance.

- The examiners reviewed all Company complaint procedure manuals and internal bulletins as part of the exam process.
- The examiners considered any complaint for which the Company failed to utilize proper techniques in handling the complaint to be an exception.

Standard: The Company should adopt and implement reasonable standards for handling of complaints.

Test 1: Did the Company adopt and implement reasonable standards for the proper handling of written communications, primarily expressing grievances, received by the insurer from insureds or claimants in accordance with Ohio Adm.Code 3901-1-07(C)(15)?

Findings:

Population	Yes	No	Standard	Compliance
39	33	6	90%	85%

The standard for compliance is 90%. The Company's handling practices were below this standard.

Test 2: Did the Company respond to complaints in accordance with Ohio Adm.Code 3901-1-54 (F)(3) & (4) or in accordance with Company procedures, if more favorable for the insured or claimant?

Findings:

Population	Yes	No	Standard	Compliance
39	33	6	90%	85%

The standard for compliance is 90%. The Company's handling practices were below this standard.

Examiner Recommendations:
The Company should implement the following procedural changes to assure compliance with specified statutes and rules:

- The Company's complaint handling procedures should include a requirement that a response be sent to the policyholder/claimant on every complaint. A note or memorandum to an agency or claim's adjuster requesting follow up on a complaint is not considered a response to the policyholder.
- The Company's complaint handling procedures should clearly indicate that copies of the complaint and any response to policyholder/claimant to the complaint be maintained in both the Underwriting or Claims files and the Company's separate complaint files.

WAYNE MUTUAL INSURANCE COMPANY SUMMARY

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

Areas of Review	Compliance Standard	Compliance Rate
AUTOMOBILE		
Collision Partial Loss Claims		
Did the file document when LKQ parts were utilized; and, if so, was salvage location provided to conform with Ohio Adm.Code 3901-1-54(H)(4)?	93%	86%
Non-Payment Cancellations		
Did the Company's cancellation procedures conform to R.C. 3937.31, 3937.32, and 3937.33?	90%	0%

HOMEOWNER

Non-Renewal Cancellations

Did the Company's cancellation and non-renewal procedures conform to Ohio Adm.Code 3901-1-18(C)?	90%	56%

COMPLAINTS

Did the Company's adopt reasonable standards for handling complaints to comply with Ohio Adm.Code 3901-1-07(C)(15)?	90%	85%
Did the Company respond to complaints in compliance with Ohio Adm.Code 3901-1-54(F)(3) and (4)?	90%	85%

This concludes the report of the Market Conduct Examination of Wayne Mutual Insurance Company. The examiners, Don Layson, Larry Stovall, Ron Roush, and Angie Yoakum-Dingus would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.

Don Layson
Examiner in Charge

9-23-2005
Date

ATTACHMENT

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Wooster, OH 44691
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August 26, 2005

RECEIVED
AUG 29 2005
OHIO DEPT. OF INSURANCE
MARKET CONDUCT DIVISION

DANIEL J ATKISSON CPCU, CIDM, CIE
INSURANCE COMPLIANCE SUPERVISOR
OHIO DEPARTMENT OF INSURANCE
2100 STELLA COURT
COLUMBUS OH 43215-1067

Dear Mr. Atkisson:

We herewith respectfully submit our company's response to the examiners' findings and recommendations contained in the draft Report of the Market Conduct Examination of the Wayne Mutual Insurance Company, dated September 30, 2004. Our responses follow the same order as the findings contained in the report and address only those items that the examiners indicated were below standard.

UNDERWRITING AND RATING

Automobile Territory Rate Classification

Response: We concur with the examiners' findings indicating that the Canton, Columbus and Springfield territories were where the most errors were found. While we were found to be in overall compliance in our rating, we also concur that 6 of our territories were out of compliance. For our response to the examiners' findings, we would like to note the following for the record:

1) Of the 6 territories in which we were out of compliance, 4 were out by only one policy. In addition, two of those territories had very low populations examined, which made the results hit-or-miss.

2) The out-of-compliance territories, for the most part, resulted from our use of the official US Postal Service website to check the locations of addresses, which we understand is an industry-wide practice. We were unaware that the Ohio Department of Taxation maintains a website that allows us to better check locations and have now implemented an address checking procedure utilizing this website and the websites of the various county auditors.

3) As recommended by the examiners, we have implemented a review of all of the policies written in those territories. Where overcharging occurred, premium has been, and will be if discovered in the review, promptly returned to the policyholder. Where undercharging occurred, rate corrections have been implemented to take effect on the next renewal date.

Automobile Policy Cancellation—Non-payment of Premium

Response: We concur that the "right to appeal" language should have been present on our cancellation notices and, as noted in the draft report by the examiners, the corrected cancellation form was immediately filed and was approved by the Department on January 15, 2005. The examiners also noted a potential problem with our billing statement, and a revised form was re-filed on February 16, 2005 with the Department and approved for use on March 15, 2005.

Homeowner Policy Cancellation—Non-Renewal Cancellations

Response: We concur that our non-renewal cancellations issued when the agent has been terminated did not include the requirements for making an application to the Ohio FAIR Plan on any policy non-renewed. Our form was immediately corrected to include the appropriate language and filed with the department, and was approved on March 22, 2005.

GENERAL CLAIM PRACTICES

File Documentation

Response: We concur that our claim file documentation needs to and will be improved with the adoption of an adjuster checklist. The Company has now developed a standard checklist and included it in the Claims Manual.

Procedure Manual Review

Response: We concur that our procedure manual needed revising in the three areas noted in the draft report in order to conform to Department regulations. As also noted, the manual was immediately revised and a new copy provided to the examiner in charge.

Status of Investigations

Response: We concur that our procedure manual needed revising in the area noted in the draft report in order to conform to Department regulations. As also noted, the manual was immediately revised and a new copy provided to the examiner in charge.

SPECIFIC CLAIM REVIEW

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

Response: We concur that several of the claim files examined listed the name but not the address of the licensed salvage dealer that received the salvage. Company written procedures now emphasize the need to list both the name and the address of the salvage dealer.

POLICYHOLDER SERVICES

Consumer Complaints General Methodology

Response: We concur that several of the complaints received by us were handled by referring the complaint to the appropriate agent. Procedures have been implemented to ensure that all complaints are handled directly with the consumer in the future.

We believe we have taken the appropriate action to resolve all issues identified by the examiners in this exam. If you have any questions, please feel free to call me at (330) 345-8100, extension 324.

In conclusion, we would like to express our appreciation for the professionalism and cooperation shown by the examination team during and subsequent to this exam.

Sincerely,

For Tod J. Carmony Corporate Counsel
President
Wayne Mutual Insurance Company

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

IN THE MATTER OF THE WAYNE MUTUAL INSURANCE COMPANY MARKET CONDUCT EXAMINATION	:	**CONSENT ORDER**

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 Wayne Mutual Insurance Company ("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 October 1, 2003 through September 30, 2004.

SECTION I

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

A. The Company accepted and processed some automobile policies with inaccurate territory rate classifications. By accepting and processing these policies with inaccurate territory classifications without assuring the proper assignment, the Company failed to meet its statutorily imposed duties outlined in R.C. 3937.03(H), 3901.20, 3901.21(M), and the fourth from the last paragraph of R.C. 3901.21.

B. The Company failed to comply with the inclusion of the "right to appeal" language on automobile cancellation notices for non-payment of premium as required by R.C. 3937.32(F). In addition, there was an issue with a "Billing Statement" form that was utilized to serve two purposes, one as a billing statement and one as a first notice of cancellation. The Department suggested recommendations for revisions to this form to make the intent of the form more clear and specific.

C. The Company failed to comply with Ohio Administrative Code ("Ohio Adm.Code") 3901-1-18(C) to include procedures for making an application to the Ohio Fair Plan, as applicable, on homeowner non-renewal cancellations, including those polices that were non-renewed due to agent cancellation.

D. A review of the claims paid during the exam period disclosed that some of the claim files were not adequately documented. As such, the examiners could not determine if the Company's claim handling practices comported with Ohio statutes and rules. This made the determination or verification of the dates in the claim handling process

difficult, particularly the initial contact date with the claimant as required by Ohio Adm.Code 3901-1-54(D)(1) and (2).

E. A review of the Company's claims procedure manuals utilized during the exam period disclosed that some of the procedures were non-compliant with Ohio Adm.Code 3901-1-07 and Ohio Adm.Code 3901-1-54. To wit, the procedure manual suggested that claims examiners only be familiar with Ohio Adm.Code 3901-1-54 requirements, but should have also listed the requirements from Ohio Adm.Code 3901-1-07; the manual stated that liability and issues of coverage should be determined on claims within sixty (60) days, however Ohio Adm.Code 3901-1-54(G)(1) imposes a twenty-one (21) day limit; the procedures failed to document the detail required to determine the proper value of vehicles on total loss claims as required by Ohio Adm.Code 3901-1-54(H)(7)(a)-(e).

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 failed to adopt and implement reasonable standards for proper handling of written communications, primarily expressing grievances as required by Ohio Adm.Code 3901-1-07(C)(15) and 3901-1-54(F)(3). To wit, complaint procedures should include a requirement that a response be sent to the policyholder/claimant on every complaint within ten days and copies of said complaint and response be maintained in both the Underwriting or Claim files and the Company's separate complaint files.

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 will institute a review of all policies written or in-force since October 1, 2003 to ensure compliance with R.C. 3937.03(H), 3901.20, 3901.21(M), and the fourth from the last paragraph of R.C. 3901.21. Where overcharging has occurred, all premiums, computed retroactively to the new business date of the policy, or if it written before October 1, 2003, the first date after that date, have been, or will be if discovered in the review, promptly returned to the policyholder. Where undercharging has occurred, rate corrections have been implemented to take effect on the next renewal date.

E. The Company consents to the findings on automobile cancellation notices for non-payment of premium and a revised notice was submitted and approved by the Department on January 15, 2005. Also, a revised "Billing Statement" form was filed with the Department on February 16, 2005 and approved on March 15, 2005.

F. The Company consents to the findings on homeowner cancellation non-renewal notices and a revised notice was submitted and approved by the Department on March 22, 2005.

G. The Company will institute policies, procedures and controls to improve its claim file documentation to ensure compliance with Ohio Adm.Code 3901-1-54(D)(1) and (2). The Company has submitted a revised Claims Procedure Manual to be effective June 6, 2005 that institutes said improvements.

H. The Company will institute policies, procedures and controls to ensure its claims handling procedures comports with Ohio Adm.Code 3901-1-54 and Ohio Adm.Code 3901-1-07. The Company has submitted a revised Claims Procedure Manual to be effective June 6, 2005 that institutes said improvements.

I. The Company will institute policies, procedures and controls to ensure its claims handling procedures on collision total loss claims comports with Ohio Adm.Code 3901-1-54(H)(4). The Company has submitted a revised Claims Procedure Manual to be effective June 6, 2005 that institutes said improvements.

J. The Company will institute policies, procedures and controls to ensure its complaint handling procedures comports with Ohio Adm.Code 3901-1-07(C)(15).

K. The Company will pay an administrative fine in the amount of $10,000.00 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.

L. 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.

M. 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.

N. 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.

O. 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: 9-19-05

For Tod J. Carmony Corporate Counsel
President and Treasurer
The Wayne Mutual Insurance Company

Date: 9/22/05

Ann H. Womer Benjamin
Superintendent of Insurance