

OHIO DEPARTMENT OF INSURANCE

A

MARKET CONDUCT EXAMINATION

OF

WESTFIELD NATIONAL INSURANCE COMPANY

NAIC # 24120

WESTFIELD INSURANCE COMPANY

NAIC #24112

AMERICAN SELECT INSURANCE COMPANY

NAIC # 19992

OHIO FARMERS INSURANCE COMPANY

NAIC # 24104

As Of

December 31, 2003





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 the following Westfield Group companies:

Westfield National Insurance Company NAIC# 24120

Westfield Insurance Company NAIC# 24112

American Select Insurance Company NAIC# 19992

Ohio Farmers Insurance Company NAIC# 24104

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

One Park Circle
P.O. Box 5001
Westfield Center, Ohio 44251-5001

A report of the examination is enclosed.

Respectfully submitted,


David R. Beck
Chief, Market Conduct Division


Date



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

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FOREWORD

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

SCOPE OF EXAMINATION

On May 17, 2004, the Market Conduct Division, Ohio Department of Insurance (“the Department”), opened an examination of the Westfield Group Of Companies (collectively referred to herein as “the Company”), which includes the Westfield National Insurance Company (“Westfield National”), Westfield Insurance Company (“Westfield Insurance”), American Select Insurance Company (“American Select”), and Ohio Farmers Insurance Company (“Ohio Farmers”), with a call letter and initial requests for information. On September 13, 2004, the on-site portion of the examination of the Company’s non-financial business practices began at the Company’s statutory home office in Westfield Center, 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 January 1, 2003, through December 31, 2003. The Company’s financial responsibility bond writings were not included in this examination. The examination report is a report 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 the 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 are 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

On February 18, 1848, Ohio Farmers Insurance Company was organized by a special act of the Ohio Legislature. Ohio Farmers Insurance Company began business on July 18, 1848, and has been in business since that date. It adopted the current name ‘Ohio Farmers Insurance Company’ in 1862. In the year 2000, Ohio Farmers Insurance Company bought the Old Guard Group, Inc. family of companies, which included Old Guard Insurance Company, Old Guard Fire Insurance Company, First Patriot Insurance Company, and First Delaware Insurance Company.

Westfield Insurance Company was formed as a companion carrier to Ohio Farmers Insurance Company at a time when a single enterprise was not authorized by law to write both fire and casualty forms of insurance coverage, and underwriting operations were conducted separately until the enactment of multiple line underwriting legislation. On July 12, 1929, the Company was incorporated under the laws of Ohio and started business July 19, 1929. Operations were conducted under the name of Ohio Farmers Indemnity Company from inception until June 12, 1959, when the name was changed to Superior Risk Insurance Company. On December 15, 1970, the present name was adopted.

Westfield National Insurance Company was incorporated under Ohio law and started doing business on April 11, 1968, as the Westfield Insurance Company on December 15, 1970. On

December 15, 1970, the name of the Company was changed to Westfield National Insurance Company.

American Select Insurance Company was incorporated under the Ohio law on August 21, 1959, and began doing business on October 1, 1959. Originally incorporated as American Select Risk Insurance Company, on October 1, 1981, the current name was adopted. On February 12, 1993, American Select Insurance Company was acquired by Ohio Farmers Insurance Company. In 1998, American Select Insurance Company added a non-standard auto product line.

COMPANY OPERATIONS

The Company is an Ohio privately held domestic stock company and is a member of a holding company system (the Westfield Group, NAIC Group Code 228) and maintains its statutory home office in Westfield Center, Ohio. Ohio Farmers Insurance Company is licensed in 43 states. Westfield National Insurance Company is licensed in 20 states, Westfield Insurance is licensed in 44 states, and American Select Insurance Company is licensed in 13 states. In accordance with R.C. 3935.10 and 3937.12, the Companies' personal lines statistical loss experience is reported quarterly to the Insurance Services Office, Inc.

The Company reported total private passenger automobile and homeowners direct written premium for the calendar year 2003 of \$276,280,068 and direct losses incurred for the same period of \$164,000,624. The Company's year-end 2003 written premium and loss information from the Company's Financial Annual Statements appear below.

<i>2003 Private Passenger Auto</i>	Ohio	Ohio	National	National
<u>Company</u>	<u>Direct</u>	<u>Incurred</u>	<u>Direct</u>	<u>Incurred</u>
	<u>Written</u>	<u>Losses</u>	<u>Written</u>	<u>Losses</u>
Westfield National Insurance Company	\$98,307,337	\$56,359,902	\$132,997,569	\$75,650,399
Westfield Insurance Company	\$50,314,784	\$28,063,864	\$166,056,829	\$91,709,161
Ohio Farmers Insurance Company	\$3,325,513	\$1,954,432	\$7,701,408	\$4,878,401
American Select Insurance Company	<u>\$50,607,766</u>	<u>29,562,985</u>	<u>\$61,753,230</u>	<u>\$36,091,009</u>
Total Private Passenger Automobile	<u>\$202,555,400</u>	<u>\$115,941,183</u>	<u>\$368,509,036</u>	<u>\$208,328,970</u>

<i>2003 Homeowners</i>	Ohio	Ohio	National	National
<u>Company</u>	<u>Direct</u>	<u>Incurred</u>	<u>Direct</u>	<u>Incurred</u>
	<u>Written</u>	<u>Losses</u>	<u>Written</u>	<u>Losses</u>
Westfield National Insurance Company	\$48,704,919	\$32,720,075	\$74,841,552	\$47,733,629
Westfield Insurance Company	\$17,922,757	\$9,755,611	\$77,359,773	\$38,967,479
Ohio Farmers Insurance Company	\$2,724,795	\$1,286,167	\$9,713,383	\$6,211,422
American Select Insurance Company	<u>4,372,197</u>	<u>\$4,297,588</u>	<u>\$8,330,555</u>	<u>\$6,779,463</u>
Total Homeowners	<u>\$73,724,668</u>	<u>\$48,059,441</u>	<u>\$170,245,263</u>	<u>\$99,691,993</u>

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

Chairman and Chief Executive Officer
President
Chief Financial Officer and Treasurer
Corporate Secretary

Robert Joyce
Roger McManus
Robert Krisowaty
John Batchelder

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 found the operations of the Company were in compliance with its Certificate of Authority.

COMPLIANCE

The Company has an established Compliance Department whose function is to review and refer compliance with existing and revised statutes and rules to the appropriate department within the Company. The Compliance Department also advises the appropriate department in designing the necessary procedures and solutions to meet the requirements of the statutes and rules. Accordingly, "dotted line" relationships exist from the Compliance Department to all other departments. The Compliance Department also works with the Internal Audit Department in a number of areas, including advising them in selecting audit targets and advising them regarding questions related to the audit itself. The Compliance Department coordinates all market conduct examinations.

Audits for compliance and quality within the Company are performed not only by individual departments, but also by the Internal Audit Department. Individual departments, such as underwriting or claims, audit compliance within their own departments. The Internal Audit Department performs risk-based audits that provide risk and control assurances.

Results of the audits performed are communicated to senior management as well as the Audit Committee of the Westfield Board of Directors. Accordingly, management and the Audit Committee are responsible for the audit results and resolution of any problem areas.

Problem areas discovered during audits are immediately communicated to management in the affected departments and individuals are designated to participate in the design and implementation of a solution.

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. C.L.U.E. is requested and sent to the Company by the independent agents on every new policy reviewed by the Underwriting Department.

The Company reports both automobile and homeowner claim information to C.L.U.E., consistent with the data specifications provided by C.L.U.E. Basically, if a claim is actually entered on the

system, the designated information is swept by C.L.U.E. on a periodic basis. The claim information captured at any given sweep includes pending, paid, or closed without payment claims.

When inquiries are received, no entry is made on the computer system indicating a claim. Inquiries are defined by the Company as “an insured seeking professional insurance advice from his/her insurance agent or company representative.” Therefore, an inquiry is not collected by C.L.U.E. during the sweep of the Company’s system, and are not considered during the individual risk consideration processes.

The Company will investigate and evaluate any report by a potential insured that challenges the information provided by C.L.U.E.

UNDERWRITING AND RATING

General Methodology:

The Company supplied a report of all automobile and homeowner new business and in-force policies with surcharges and/or credits during the examination period. The examiners selected a sampling of claims files to test for compliance with R.C. 3901.21(M) and 3937.03 and Ohio Administrative Code (“Ohio Adm.Code”) 3901-1-55.

- The examiners reviewed all Company procedure manuals as part of the exam process.
- The effective date used for the application of credit scoring rules was the implementation date of 9-12-2003.

Credit Scoring:

Standard: The Company’s use of credit scoring on new business policies is in compliance with required Ohio statutes and rules.

Test: Does the Company’s use of credit scoring on new business policies comply with Ohio Adm.Code 3901-1-55?

Findings:

Automobile:

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	12,550	25	25	0	90%	100%
Westfield Insurance	6,612	25	25	0	90%	100%
American Select	20,070	25	25	0	90%	100%
Ohio Farmers	360	25	25	0	90%	100%

Homeowner:

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	22,346	25	25	0	90%	100%
Westfield Insurance	4,782	25	25	0	90%	100%
American Select	1,076	25	25	0	90%	100%
Ohio Farmers	601	25	25	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 1: Did the Company apply and remove surcharges and/or credits consistent with its filings and information specified in R.C. 3901.21 and 3937.03?

Findings (New Business):

Automobile:

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	12,550	25	25	0	90%	100%
Westfield Insurance	6,612	25	25	0	90%	100%
American Select	20,070	25	25	0	90%	100%
Ohio Farmers	360	25	25	0	90%	100%

Homeowner:

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	22,346	25	25	0	90%	100%
Westfield Insurance	4,782	25	25	0	90%	100%
American Select	1,076	25	25	0	90%	100%
Ohio Farmers	601	25	25	0	90%	100%

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

Findings (In-force Business):

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	147,605	50	50	0	90%	100%
Westfield Insurance	91,045	50	50	0	90%	100%
American Select-Standard	59,628	25	25	0	90%	100%
American Select-Non-standard	15,565	25	25	0	90%	100%
Ohio Farmers	5,928	50	50	0	90%	100%

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

Examiner Additional Comments:

The examiners reviewed the Company's procedures for performing internal tests on the system, including pre- and post-installation of additions and/or changes to rating rules, premium rating, and underwriting rules, to assure accurate classifications and rating. The examination also included a review of procedures for system audits performed by the Company to assure accurate application of surcharges and credits.

Automobile Territory Rate Classification

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

Test: Did the Companies apply automobile rating territory classifications to its 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 their territory codes used during the examination period between January 1, 2003, and December 31, 2003.

- Based on the garaging address supplied, the examiners sent 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 for the purpose of verifying the assignment of the proper automobile rating territory. American Select Insurance Company has different territory definitions depending on the policy series (Series 5000 or Defender Series).
- An exception was considered in all instances where the territory classification assigned did not match the classification filed for the policy garaging location.
- 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:

American Select Insurance Company (Includes both Series 5000 and Defender Series)

Number of Territories	Territories in compliance	Territories Not in Compliance
242	166	76

Number of Policies	Policies in compliance	Policies Not in Compliance
20,070	18,720 (93%)	1350 (7%)

Examiner Recommendations (Defender Series)

- The territorial definitions currently on file with the Department for the Defender Series should be re-filed to be all encompassing. Many “remainder of county” and “remainder of state” addresses are not defined by the current definitions.
- The software used by the agents to assign territories incorrectly assigns territories in some zip codes with multiple municipalities. Examples are zip codes 43016, 43017, and 43026. The Company should review and correct its software.
- Policies that were actually located in the city of Columbus but were assigned to another territory appear to have been assigned to suburban territories. However, the pattern in other cities in the state is less clear. The cities of Akron, Cincinnati, Dayton, and Youngstown actually had more policies assigned to the urban territories that were not located there rather than the opposite. The Company should determine the cause of these incorrect assignments and revise the necessary systems and procedures.

Ohio Farmers Insurance Company

Number of Territories	Territories in compliance	Territories Not in Compliance
79	62	17

Number of Policies	Policies in compliance	Policies Not in Compliance
360	321 (89%)	39 (11%)

Westfield Insurance Company

Number of Territories	Territories in compliance	Territories Not in Compliance
99	57	42

Number of Policies	Policies in compliance	Policies Not in Compliance
6612	5930 (90%)	682 (10%)

Westfield National Insurance Company

Number of Territories	Territories in compliance	Territories Not in Compliance
99	57	42

Number of Policies	Policies in compliance	Policies Not in Compliance
12,550	11,181 (89%)	1369 (11%)

Additional Examiner Comments (All Companies excluding Defender series)

The examiners reviewed the occurrence of incorrect territory assignments with respect to the impact on major urban and suburban areas. The most significant problem is the difficulty in distinguishing between cities and suburbs. For instance, in Columbus, nearly three out of ten policies located in the city were actually assigned to suburban territories. In Cincinnati, one out of six policies located in the city were inappropriately assigned to suburban territories. However, another issue arises in the Cincinnati suburban areas: the volume of policies that are incorrectly assigned to these territories, but are not actually in the territory, is much larger than the volume of incorrectly assigned policies in Cincinnati. For example, one of the suburban Cincinnati territories has only 17 policies actually located within it. Despite that, 179 policies were assigned to that territory. There are a total of only 62 policies located within the city of Cincinnati that have an incorrect territory, indicating that the problem involves more than just confusion of the urban and suburban territory definitions. A review of the remaining urban, suburban, and rural areas of the state indicates that incorrect assignment of territory occurs at varying levels of frequency throughout the state.

Examiners Recommendations (All Companies and Policy Series)

- The Company should evaluate all policies written or in force since January 1, 2003. Individual policies should be evaluated by the Company to determine if its territory assignment is correct and whether over- or undercharging of premium occurred.
- If overcharging of premium occurred, the Company should 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 January 1, 2003, the first renewal date after that date.
- If undercharging occurred, the Company should make any necessary territory and/or premium corrections on the next renewal date of the policy.
- The Company should submit any communication(s) regarding increase or refund of premiums to the Department for review and approval prior to issuance.

Policy Cancellation and Nonrenewal—General Methodology

The Company supplied a report of 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.

- The examiners segmented the terminated policy file into four populations: policies canceled for non-payment of premium, policies canceled for any other underwriting reason, policies not renewed, and policies canceled and re-issued (transfers/rewrites) by the same insurer.
- The examiners selected a random sample from each population, except automobile other than non-payment cancellations for Ohio Farmers and automobile transfers/rewrites on American Select and Ohio Farmers, in which the entire populations were reviewed.
- On automobile cancellations for other than non-payment of premium, the examiners replaced 210 files for American Select, 450 files for Westfield Insurance, and 365 files for Westfield National because the samples contained policies in force less than ninety (90) days, insureds’ requests to cancel, transfers/rewrites, and cancellations generated for system updates.
- On automobile non-renewal cancellations, the examiners replaced 3 files for American Select, 10 files for Westfield Insurance, and 3 files for Westfield National because the samples contained policies in force less than ninety (90) days, insureds’ requests to cancel, transfers/rewrites, and cancellations generated for system updates.
- On homeowner cancellations for other than non-payment of premiums, the examiners replaced 22 files for American Select, 14 files for Ohio Farmers, 26 files for Westfield Insurance, and 105 files for Westfield National, because the samples contained policies in force less than ninety (90) days, insureds’ requests to cancel, transfers/rewrites, and cancellations generated for system updates.

Automobile Policy Cancellation—Nonpayment of Premium

Standard: Cancellation notices must comply with policy provisions, statutes and rules, and Company guidelines.

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 terminated for nonpayment 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 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:

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	1,655	50	50	0	90%	100%
Westfield Insurance	2,355	50	50	0	90%	100%
American Select	8,849	50	50	0	90%	100%
Ohio Farmers	211	50	50	0	90%	100%

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

Automobile Policy Cancellation—Other than Nonpayment of Premium

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

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

Test Methodology:

- The examiners considered any policy terminated with less than thirty (30) days notice from date of mailing to be an exception.
- The examiners considered any policy termination notice that did not contain the reason for cancellation or 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.
- 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:

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	1,237	50	49	1	90%	98%
Westfield Insurance	860	50	49	1	90%	98%
American Select	373	50	50	0	90%	100%
Ohio Farmers	89	89	89	0	90%	100%

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

Automobile Policy Nonrenewal

Standard: Cancellation/Non Renewal notices comply with policy provisions, statutes and rules, and Company guidelines.

Test: Did the Company’s nonrenewal procedures conform to R.C. 3937.30, 3937.31, 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 non-renewed with less than thirty (30) days notice prior to expiration date of policy to be an exception.
- The examiners considered any non-renewal for which the reason for cancellation was not provided at time of notice or did not include a statement that the notice would be sent within five (5) days after receipt of insured’s written request 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.

Findings:

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	2,297	50	50	0	90%	100%
Westfield Insurance	1,134	50	50	0	90%	100%
American Select	618	50	49	1	90%	98%
Ohio Farmers	115	50	50	0	90%	100%

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

Automobile Transfers/Rewrites:

Standard: The Company’s handling of transfers/rewrites between companies within the group is in compliance with statutes and rules.

Test: Did the new policy provide at least the coverages and policy limits provided in the cancelled policy specified by R.C. 3937.31(A) and the sixth paragraph of R.C. 3937.31?

Test Methodology:

- The examiners considered any new policy that did not provide at least the coverages or policy limits as provided by the cancelled policy, unless change was made with the knowledge of the insured to be an exception.

Findings:

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	955	50	50	0	90%	100%
Westfield Insurance	763	50	50	0	90%	100%
American Select	74	74	74	0	90%	100%
Ohio Farmers	71	71	71	0	90%	100%

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

Homeowner Policy Cancellation—Nonpayment of Premium

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

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

Test Methodology:

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

Findings:

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	3,046	50	50	0	90%	100%
Westfield Insurance	1,723	50	50	0	90%	100%
American Select	184	50	50	0	90%	100%
Ohio Farmers	385	50	50	0	90%	100%

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

Homeowner Policy Cancellation—Other than Nonpayment of Premium

Standard: Cancellation/non-renewal notices comply with policy provisions, statutes and rules, and Company guidelines.

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

Test Methodology:

- The examiners considered any policy cancelled or non-renewed with less than thirty (30) days notice to be an exception.
- The examiners considered any policy cancellation notice that failed to contain the required information and appeal notice to be an exception.
- The examiners considered any non-renewal of a policy that failed to conform to the Company’s homeowner policy provisions to be an exception.

Findings:

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	5,850	100	99	1	90%	99%
Westfield Insurance	2,644	50	50	0	90%	100%
American Select	494	50	50	0	90%	100%
Ohio Farmers	578	50	50	0	90%	100%

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

GENERAL CLAIM PRACTICES**Status of Investigations**

The examiners reviewed the Company’s claims procedure manuals to assure compliance with Ohio Adm.Code 3901-1-54(G)(1). The examiners found the Company was in compliance with its procedures for accepting or denying claims within twenty-one (21) days after receiving properly executed proof of loss. This area was also tested by sample under the Specific Claims Review section.

Additional Examiner Comments:

In addition, the Company also provides each Service Office with a copy of applicable states’ Unfair Trade Practices Act, as well as relevant insurance laws and regulations. These books are reference sources for claims handling and include Ohio Adm.Code 3901-1-54. Training on claims issues is provided to each Service Office Manager who then is responsible for reviewing these issues with their staff. Communication is controlled through the Company’s claims system (“SOCS”).

Denial of Coverage

The examiners reviewed the Company’s claims procedure manuals and denial forms to assure compliance with Ohio Adm.Code 3901-1-54(G)(2). The examiners found that the Company was in compliance with procedures applicable to denial of claims and the requirement to state the specific provision, condition, or exclusion when utilized. This area was also tested by sample under the Specific Claims Review section.

Statute of Limitations

The examiners reviewed the Company's claims procedure manuals 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 statute of limitation or contractual limit. This area was also tested by sample under the Specific Claims Review section.

Fraud Reporting and Anti-Fraud Plan

The examiners reviewed the Company's claims procedure manuals and the 'Westfield Insurance Anti-Fraud Plan' to assure compliance with Ohio Adm.Code 3901-1-54(G)(1). The Company was not compliant. The Company's fraud plan did not specifically state that the Department's Fraud Division should be notified if the Company believed a claimant was involved in possible fraud. The Company assumed that their notification to a representative of the Department of Insurance (i.e. consumer service representative) qualified as being compliant. The Company was notified that the notice must be given directly to the Fraud Division to achieve compliance.

The Company submitted documentation that procedures have been revised and required notification will be given to "proper authorities" consistent with Ohio statutes and rules.

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 claim populations 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.
- The claim files were reviewed to verify dates in the claim settlement process.
- Claims where the amount of covered loss was less than the deductible were considered to be "paid claims."
- In instances where the initial results were on the borderline of failing, an additional 25 samples were reviewed for compliance or non-compliance.
- On Collision partial losses, the examiners replaced 18 files for Westfield National, 35 files for Westfield Insurance, 8 files for Ohio Farmers, and 8 files for American Select because of the involvement of subrogation or total losses in partial losses area.
- On Collision total losses, 1 file was replaced for Westfield Insurance because the vehicle was an All-Terrain Vehicle.
- On Property Damage partial losses, the examiners replaced 24 files for Westfield National, 46 files for Westfield Insurance, 14 files for Ohio Farmers, and 26 files for American Select of the involvement of subrogation or total losses in partial losses area.
- On Property Damage total losses, the examiners replaced 27 files for Westfield National, 3 files for Westfield Insurance, and 1 file for American Select because of subrogation, duplicate files, payments not made in the examination period, and/or claims that were not total losses.
- On Uninsured Motorists/Underinsured Motorists losses, the examiners replaced 19 files for American Select, 8 files for Westfield National, and 8 files for Westfield Insurance because of subrogation.

- On Bodily Injury losses, the examiners replaced 1 file for Westfield National and 3 files for Ohio Farmers because of subrogation and claims with no Bodily Injury.

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 (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:

Westfield National Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	4,656	75	75	0	93%	100%
Collision Total	402	50	50	0	93%	100%
Property Damage Partial	4,331	75	75	0	93%	100%
Property Damage Total	184	75	75	0	93%	100%
Uninsured/Underinsured Motorists	128	50	50	0	93%	100%
Bodily Injury	1,256	50	50	0	93%	100%

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

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	2,253	75	75	0	93%	100%
Collision Total	234	50	50	0	93%	100%
Property Damage Partial	2,274	75	74	1	93%	98%
Property Damage Total	115	75	75	0	93%	100%
Uninsured/Underinsured Motorists	111	50	49	1	93%	98%
Bodily Injury	831	50	49	1	93%	98%

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

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	154	75	75	0	93%	100%
Collision Total	15	15	15	0	93%	100%

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Property Damage Partial	189	50	50	0	93%	100%
Property Damage Total	7	7	7	0	93%	100%
Uninsured/Underinsured Motorists	8	8	8	0	93%	100%
Bodily Injury	77	77	77	0	93%	100%

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

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	1,993	50	50	0	93%	100%
Collision Total	270	50	50	0	93%	100%
Property Damage Partial	2,561	75	75	0	93%	100%
Property Damage Total	131	50	50	0	93%	100%
Uninsured/Underinsured Motorists	156	50	50	0	93%	100%
Bodily Injury	927	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:

- The claim files were reviewed to verify dates in the claim settlement process.
- Where a 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 the 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:

Westfield National Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	4,656	75	75	0	93%	100%
Collision Total	402	50	50	0	93%	100%
Property Damage Partial	4,331	75	75	0	93%	100%

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Property Damage Total	184	75	75	0	93%	100%
Uninsured/Underinsured Motorists	128	50	50	0	93%	100%
Bodily Injury	1,256	50	50	0	93%	100%

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

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	2,253	75	75	0	93%	100%
Collision Total	234	50	50	0	93%	100%
Property Damage Partial	2,274	75	75	0	93%	100%
Property Damage Total	115	75	75	0	93%	100%
Uninsured/Underinsured Motorists	111	50	49	1	93%	98%
Bodily Injury	831	50	50	0	93%	100%

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

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	154	75	75	0	93%	100%
Collision Total	15	15	15	0	93%	100%
Property Damage Partial	189	50	50	0	93%	100%
Property Damage Total	7	7	7	0	93%	100%
Uninsured/Underinsured Motorists	8	8	8	0	93%	100%
Bodily Injury	77	77	71	6	93%	92%

The standard of compliance is 93%. The Company's claim practices did not meet this standard in one line of business.

Examiners Recommendations (Ohio Farmers):

The Company should establish the following procedures to improve its claim handling practices on Bodily Injury paid claims:

- Develop controls for assuring that claims are handled in a timely manner in compliance with statutes and rules.
- Develop procedures to assure active supervisory involvement in reviewing steps in the settlement process.

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	1,993	50	50	0	93%	100%
Collision Total	270	50	50	0	93%	100%

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Property Damage Partial	2,561	75	75	0	93%	100%
Property Damage Total	131	50	50	0	93%	100%
Uninsured/Underinsured Motorists	156	50	50	0	93%	100%
Bodily Injury	927	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 applicable 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:

Westfield National Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	128	50	50	0	93%	100%
Bodily Injury-Paid	1,256	50	50	0	93%	100%

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

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	111	50	50	0	93%	100%
Bodily Injury-Paid	831	50	50	0	93%	100%

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

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	8	8	8	0	93%	100%
Bodily Injury-Paid	77	77	77	0	93%	100%

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

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	156	50	50	0	93%	100%
Bodily Injury-Paid	927	50	50	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 applicable 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 compliance 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.
- Any claim on which the Company’s written estimate did not contain the following language required by RC 1345.81 was also considered an exception: “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.”

Findings:

Westfield National Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	4,656	75	71	4	93%	95%
Property Damage Partial	4,331	75	73	2	93%	97%

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

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	2,253	75	73	2	93%	97%
Property Damage Partial	2,274	75	73	2	93%	97%

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

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	154	75	70	5	93%	93%
Property Damage Partial	189	50	49	1	93%	98%

The standard of compliance is 93%. The Company’s claim practices met or were above this standard.

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	1,993	50	46	4	93%	92%
Property Damage Partial	2,561	75	74	1	93%	99%

The standard of compliance is 93%. The Company’s claim practices did not meet this standard in one line of business.

Examiners Recommendations (all Companies):

The Company should revise its claims estimate forms used on partial losses to include the required statutory wording when using Non-OEM parts. The Company should also notify all the dealers that develop estimates for the Company and instruct them to make this change and/or provide them with the revised forms.

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

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

Test: 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 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 the location of the licensed salvage dealer where the LKQ parts were to be obtained on its repair estimate to be an exception.

Findings:

Westfield National Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	4,656	75	72	3	93%	96%
Property Damage Partial	4,331	75	69	6	93%	92%

The standard of compliance is 93%. The Company’s claim practices did not meet this standard in one line of business.

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	2,253	75	68	7	93%	91%
Property Damage Partial	2,274	75	67	8	93%	89%

The standard of compliance is 93%. The Company's claim practices did not meet this standard.

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	154	75	72	3	93%	96%
Property Damage Partial	189	50	50	0	93%	100%

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

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	1,993	50	43	7	93%	86%
Property Damage Partial	2,561	75	68	7	93%	91%

The standard of compliance is 93%. The Company's claim practices did not to meet this standard.

Examiner Recommendations (all Companies):

When the use of LKQ parts are involved, the Company should update its claim handling procedures on partial losses so that the licensed salvage dealer's address is listed on the repair estimate.

Vehicle Total Loss—Actual Cash Value

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

Test: Did the Company 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)(7)(a-e) to be an exception.
- 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:**Westfield National Insurance Company**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	402	50	50	0	93%	100%
Property Damage Total	184	75	75	0	93%	100%

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

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	234	50	50	0	93%	100%
Property Damage Total	115	75	73	2	93%	97%

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

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	15	15	15	0	93%	100%
Property Damage Total	7	7	7	0	93%	100%

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

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	270	50	50	0	93%	100%
Property Damage Total	131	50	50	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 applicable statutes and rules.

Test: Did the Company conform to sales tax provisions as specified by OAC §3901-1-54(H)(6)(c) and (H)(7)(e) to be an exception?

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 (7)(e).
- The examiners considered any claim on which the Company failed to use local sales tax rates to be an exception.

Findings:

Westfield National Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	402	50	50	0	93%	100%
Property Damage Total	184	75	69	6	93%	92%

The standard of compliance is 93%. The Company's claim practices did not meet this standard in one line of business.

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	234	50	50	0	93%	100%
Property Damage Total	115	75	69	6	93%	92%

The standard of compliance is 93%. The Company's claim practices did not meet this standard in one line of business.

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	15	15	14	1	93%	93%
Property Damage Total	7	7	7	0	93%	100%

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

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	270	50	43	7	93%	86%
Property Damage Total	131	50	44	6	93%	88%

The standard of compliance is 93%. The Company's claim practices did not meet this standard.

Examiner Recommendations (all Companies):

The Company should revise its claim handling procedures on total losses to require that sales tax is paid, when applicable, and that the claim file documentation reflects that the tax was paid.

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:

Westfield National Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	128	50	50	0	93%	100%
Bodily Injury-Paid	1,256	50	50	0	93%	100%

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

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	111	50	50	0	93%	100%
Bodily Injury-Paid	831	50	50	0	93%	100%

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

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	8	8	8	0	93%	100%
Bodily Injury-Paid	77	77	77	0	93%	100%

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

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	156	50	50	0	93%	100%
Bodily Injury-Paid	927	50	50	0	93%	100%

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

Additional Examiner Findings:

The Company utilizes a licensed software on soft tissue Bodily Injury claim amounts between \$1,000 and \$150,000. The examiners interviewed Company personnel to determine how the licensed software was implemented and how it is monitored for accuracy or misuse. The Company indicated that the product is a great training tool, that it has brought consistency to the Company's claims handling practices, and that it has improved the organization of claims files. Data integrity is monitored to assure all required information is received and correctly input. Data is also reviewed to track any over- or under-payments of claims. Quarterly reviews are conducted on the claims representatives and re-training done as necessary.

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, in conjunction with Ohio Adm.Code 3901-1-54(G)(9), prohibiting 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:

Westfield National Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	128	50	50	0	93%	100%
Bodily Injury-Paid	1,256	50	50	0	93%	100%

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

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	111	50	50	0	93%	100%
Bodily Injury-Paid	831	50	50	0	93%	100%

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

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	8	8	8	0	93%	100%
Bodily Injury-Paid	77	77	77	0	93%	100%

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

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorists	156	50	50	0	93%	100%
Bodily Injury-Paid	927	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 to conform with Ohio Adm.Code 3901-1-54(H)(10)?

Methodology:

The Company supplied a report of all automobile subrogation claims paid files that had a closed date that occurred during the examination period.

- 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 replaced 13 files for Westfield National, 30 files for Ohio Farmers, 36 files for American Select, and 15 files for Westfield Insurance because the original files did not involve subrogation.
- 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 examiners considered any subrogation on which partial recovery occurred, but the Company did not return the partial amount recovered to be an exception.

Findings:

Company	Population	Sample	Yes	No	Standard	Compliance
Westfield National	1,227	50	49	1	93%	98%
Westfield Insurance	786	50	50	0	93%	100%
American Select	574	50	49	1	93%	100%
Ohio Farmers	94	50	50	0	93%	100%

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

Automobile Denied and Closed Without Payment Claims General Methodology

The Company supplied a report of all closed automobile claims that occurred during the exam period. The entire population of claims closed without payment files were reviewed by the Company to identify all denied claims. The populations and samples used to test for compliance was the number of denied claims identified.

- The examiners reviewed all Company procedure manuals as part of the exam process.
- The claims files were reviewed to verify dates in the claims settlement process.
- A claim files were reviewed to verify the Company’s claims settlement practices.

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

Test: Did the Company conform to the standards for denial of payments as specified in Ohio Adm.Code 3901-1-54(G)(1), (2), (3) and (5) and Ohio Adm.Code 3901-1-07(C)(14)?

Test Methodology:

- The examiners considered any claim on which the required contact or investigation was not done in required time frames to be an exception.
- The examiners considered any claim on which the Company denied the claim based solely on claimant not providing proof of loss on the insurer’s usual form to be an exception.
- The examiners considered any claim on which there was reasonable belief that fraud contributed to the loss and the Company did not notify the Department’s Fraud Division within sixty (60) days to be an exception.
- The examiners considered any claim on which a policy provision, condition, or exclusion was utilized to deny the claim, but no reference was made to the specific provision, condition, or exclusion to be an exception.
- The examiners considered any claim on which the Company denied a claim because of consideration that others should assume the responsibility of the payment to be an exception.
- The examiners considered any claim on which the Company failed to notify the claimant of the expiration of any statute of limitations when legal counsel did not represent claimant to be an exception.
- The examiners considered any claim on which the Company denied payments solely based on the insured’s request to do so, without independent evaluation of insured’s liability to be an exception.
- The examiners considered any claim on which the Company did not disclose all coverages and benefits to be an exception.

Findings:

Westfield National Insurance Company

Claim Feature	Closed without Pay Population	Denied	Yes	No	Standard	Compliance
Collision	944	7	7	0	93%	100%
Property Damage	719	50	49	1	93%	98%
Uninsured/Underinsured Motorists	73	6	6	0	93%	100%
Bodily Injury	236	7	7	0	93%	100%

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

Westfield Insurance Company

Claim Feature	Closed without Pay Population	Denied	Yes	No	Standard	Compliance
Collision	470	8	8	0	93%	100%
Property Damage	388	31	29	2	93%	96%
Uninsured/Underinsured Motorists	43	2	2	0	93%	100%
Bodily Injury	165	2	2	0	93%	100%

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

Ohio Farmers Insurance Company

Claim Feature	Closed without Pay Population	Denied	Yes	No	Standard	Compliance
Collision	43	0	0	0	93%	100%
Property Damage	32	3	3	0	93%	100%
Uninsured/Underinsured Motorists	5	4	4	0	93%	100%
Bodily Injury	15	0	0	0	93%	100%

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

American Select Insurance Company

Claim Feature	Closed without Pay Population	Denied	Yes	No	Standard	Compliance
Collision	653	10	10	0	93%	100%
Property Damage	659	50	49	1	93%	98%
Uninsured/Underinsured Motorists	68	2	2	0	93%	100%
Bodily Injury	216	13	13	0	93%	100%

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

Examiner Recommendations (all Companies):

The Company should establish the following procedures to improve its claim handling practices on denied claims:

- The Company should develop a standardized explanation when closing a claim that would specify that the claim was “denied” and not “closed without pay.”
- The Company should implement any necessary changes to its computer system to enable identification of “denied” claims.

Homeowner Paid Claims General Methodology:

The Company supplied a report of all Homeowner Structure and Contents paid claims dated 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 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 time frames.

Test: Did the Company make timely contact (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 required time frames to be an exception.

Findings:

Westfield National Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	4,991	50	50	0	93%	100%
Homeowner Contents	2,415	50	50	0	93%	100%

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

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	1,434	50	50	0	93%	100%
Homeowner Contents	730	50	50	0	93%	100%

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

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	218	50	50	0	93%	100%
Homeowner Contents	111	50	50	0	93%	100%

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

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	515	50	50	0	93%	100%
Homeowner Contents	220	50	50	0	93%	100%

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 (10 working 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 payment was not made in the required time frame to be an exception.

Findings: Westfield National Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	4,991	50	50	0	93%	100%
Homeowner Contents	2,415	50	49	1	93%	98%

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

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	1,434	50	50	0	93%	100%
Homeowner Contents	730	50	50	0	93%	100%

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

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	218	50	50	0	93%	100%
Homeowner Contents	111	50	50	0	93%	100%

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

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	515	50	50	0	93%	100%
Homeowner Contents	220	50	50	0	93%	100%

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 applicable 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 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:**Westfield National Insurance Company**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	4,991	50	50	0	93%	100%
Homeowner Contents	2,415	50	40	10	93%	80%

The standard of compliance is 93%. The Company’s claim practices did not meet this standard in one line of business.

Westfield Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	1,434	50	50	0	93%	100%
Homeowner Contents	730	50	38	12	93%	76%

The standard of compliance is 93%. The Company’s claim practices did not meet this standard in one line of business.

Ohio Farmers Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	218	50	49	1	93%	98%
Homeowner Contents	111	50	34	16	93%	68%

The standard of compliance is 93%. The Company’s claim practices did not meet this standard in one line of business.

American Select Insurance Company

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Homeowner Structure	515	50	44	6	93%	88%
Homeowner Contents	220	50	38	12	93%	76%

The standard of compliance is 93%. The Company’s claim practices did not meet this standard.

Examiner Recommendations (all Companies):

The Company should establish the following procedures to improve its claim handling practices on Structure and Contents paid claims:

- The claim file documentation should include all the information used to determine the loss.
- The claim file documentation should clearly show how loss settlements were calculated.
- The claim file should clearly identify the calculation of any applicable sales tax.

Homeowner Denied Claims General Methodology

The Company supplied a report of all Homeowner Structure and Contents claims files denied and closed without payment dated during the examination period. The sample size used to test for compliance is the number of denied claims identified by the examiners.

- The examiners reviewed all Company procedure manuals as part of the exam process.
- The claims files were reviewed to verify dates in the claim settlement process.
- The claims files were reviewed to verify the Company's claim settlement practices.
- In instances where the Company's initial results were on the borderline of failing, an additional 25 samples were reviewed for compliance or non-compliance.
- On Contents claims, the examiners replaced 566 files for Westfield National because they were identified as "closed without pay" files (e.g., files that were paid and never denied; reserves that were established, but no claim was ever submitted; and claims that were submitted, but later withdrawn). The entire populations of files were reviewed for American Select, Westfield Insurance, and Ohio Farmers.
- On Structure claims, the Examiners replaced 24 files for Westfield National, 29 files for Westfield Insurance, 31 files for Ohio Farmers, and 94 files for American Select because they were identified as "closed without pay" files (e.g., files were paid and never denied; a reserve was established, but no claim was ever submitted; and claims that were submitted, but later withdrawn).

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

Test: Did the Company conform to the standards for denial of payments as required in Ohio Adm.Code 3901-1-54(G)(1)-(3), and (5)?

Test Methodology:

- The examiners considered any claim on which the required contact or investigation was not done in required time frames to be an exception.
- The examiners considered any claim on which the Company denied the claim based solely on claimant not providing proof of loss on the insurer's usual form to be an exception.
- The examiners considered any claim on which there is reasonable belief that fraud contributed to the loss and the Company did not notify the Department's Fraud Division within sixty (60) days to be an exception.
- The examiners considered any claim on which a policy provision, condition, or exclusion was utilized to deny a claim, but no reference was made to the specific provision, condition, or exclusion to be an exception.
- The examiners considered any claim on which the Company denied a claim because of consideration that others should assume the responsibility of the payment to be an exception.
- The examiners considered any claim on which the Company failed to notify the claimant of the expiration of any statute of limitations when legal counsel did not represent claimant to be an exception.

- The examiners considered any claim on which the Company denied payments solely based on the insured's request to do so, without independent evaluation of the insured's liability to be an exception.
- The examiners considered any claim on which the Company did not disclose all coverages and benefits to be an exception.

Findings:

Westfield National Insurance Company

Claim Feature	Closed Without Pay Population	Denied Files Reviewed	Yes	No	Standard	Compliance
Homeowner Structure	1599	50	50	0	93%	100%
Homeowner Contents	641	75	66	9	93%	88%

The standard of compliance is 93%. The Company's claim practices did not meet this standard in one line of business.

Westfield Insurance Company

Claim Feature	Closed Without Pay Population	Denied Files Reviewed	Yes	No	Standard	Compliance
Homeowner Structure	481	50	49	1	93%	98%
Homeowner Contents	191	48	44	4	93%	92%

The standard of compliance is 93%. The Company's claim practices did not meet this standard in one line of business.

Ohio Farmers Insurance Company

Claim Feature	Closed Without Pay Population	Denied Files Reviewed	Yes	No	Standard	Compliance
Homeowner Structure	90	50	50	0	93%	100%
Homeowner Contents	34	34	34	0	93%	100%

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

American Select Insurance Company

Claim Feature	Closed without Pay Population	Denied Files Reviewed	Yes	No	Standard	Compliance
Homeowner Structure	147	50	49	1	93%	98%
Homeowner Contents	53	53	53	0	93%	100%

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

Examiner Recommendations (all Companies):

The Company should establish the following procedures to improve its claim handling practices on Structure and Contents denied and closed without payment claims:

- The claim file should contain a copy of the denial letter that was provided to the claimant.
- The denial letter that was provided to the claimant must include the specific reason for any exclusion that was applied.
- Procedures need to be established to assure all claims are handled in a timely manner and that claimants are contacted on a timely basis.

TREASURY CERTIFICATE/DEMOLITION FUND

The examiners reviewed procedure manuals and interviewed company personnel to assure compliance to R.C. 3929.86(A) and (B). Specifically, Ohio law requires that, prior to making a payment on a structural fire loss in excess of \$5000, the insurer must have received from the named insured a certificate from the county treasurer stating that no property taxes were outstanding, and that the Company make escrow payments to any city, town, or village which have enacted “demolition fund ordinances.”

To ensure compliance in this area, the Company provided the examiners procedure manual pages, ‘Request for Certification’ forms, and notices sent to all service offices with notification of the new law and the correct procedures to be followed were reviewed by the examiners.

POLICYHOLDER SERVICES

Consumer Complaints

Methodology: The Company supplied a report of all complaint files dated during the exam period. The examiners reviewed all complaint files.

- The examiners reviewed all Company complaint procedure manuals and internal bulletins as part of 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:

Company	Population	Yes	No	Standard	Compliance
Westfield Group	95	93	2	90%	98%

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

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

Findings:

Company	Population	Yes	No	Standard	Compliance
Westfield Group	95	95	0	90%	100%

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

Examiner Comments:

Overall, the examiners were impressed with the detail taken in handling the complaints. Very meticulous notes are taken on each file and a log sheet has been developed for tracking the steps in each individual complaint. The Company also has each department log and track its own complaints, thereby making trends easier to spot and tracking easier. A great number of the complaints were handled from date received to response in less than 10 days, which exceeds expectations.

WESTFIELD NATIONAL INSURANCE COMPANY SUMMARY

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

<u>Areas of Review</u>	<u>Compliance Standard</u>	<u>Compliance Rate</u>
AUTOMOBILE		
Property Damage Partial Paid 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%	92%
Property Damage Total Paid Loss Claims		
Did the file document that sales tax was paid on total loss settlements to conform with Ohio Adm.Code 3901-1-54(H)(7)(a-e)?	93%	92%
Territory Rating		
Did the Company apply automobile rating territory classifications to its new business in a manner conforming with R.C. 3937.03(H), 3901.20, 3901.21(M), and the fourth from last paragraph of 3901.21?	90%	89%

HOMEOWNER

Contents Paid Claims

Was settlement amount calculated in manner conforming with Ohio Adm.Code 3901-1-54(I) and Company’s contracts? 93% 80%

Contents Denied and Closed Without Payment Claims

Did the Company conform to standards for denial of payment to conform with Ohio Adm.Code 3901-1-54(G)(1)-(3) and (5) 3901-1-54(G)? 93% 88%

WESTFIELD INSURANCE COMPANY SUMMARY

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

<u>Areas of Review</u>	<u>Compliance Standard</u>	<u>Compliance Rate</u>
AUTOMOBILE		
Property Damage Partial Paid 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%	89%
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%	91%
Property Damage Total Paid Loss Claims		
Did the file document that sales tax was paid on total loss settlements to conform with Ohio Adm.Code 3901-1-54(H)(7)(a-e)?	93%	92%
HOMEOWNER		
Contents Paid Claims		
Was settlement amount calculated in manner conforming with Ohio Adm.Code 3901-1-54(I) and Company’s contracts?	93%	76%
Contents Denied and Closed Without Payment Claims		
Did the Company conform to standards for denial of payment to conform with Ohio Adm.Code 3901-1-54(G)(1)-(3) and (5) 3901-1-54(G)?	93%	92%

AMERICAN SELECT INSURANCE COMPANY SUMMARY

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

<u>Areas of Review</u>	<u>Compliance Standard</u>	<u>Compliance Rate</u>
AUTOMOBILE		
Property Damage Partial Paid 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%	91%

Collision Partial Loss Claims

Did file document that non-OEM parts were used to conform with 3901-1-54(H)(4) and that required statutory wording conformed with R.C. 1345.81? 93% 92%

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%

Property Damage Total Paid Loss Claims

Did the file document that sales tax was paid on total loss settlements to conform with Ohio Adm.Code 3901-1-54(H)(7)(a-e)? 93% 88%

Collision Total Paid Loss Claims

Did the file document that sales tax was paid on total loss settlements to conform with Ohio Adm.Code 3901-1-54(H)(7)(a-e)? 93% 86%

HOMEOWNER

Contents Paid Claims

Was settlement amount calculated in manner conforming with Ohio Adm.Code 3901-1-54(I) and Company’s contracts? 93% 76%

Structure Paid Claims

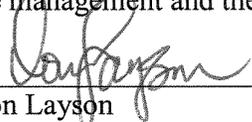
Was settlement amount calculated in manner conforming with Ohio Adm.Code 3901-1-54(I) and Company’s contracts? 93% 88%

OHIO FARMERS INSURANCE COMPANY SUMMARY

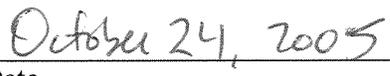
The examination found the Company to be out of compliance in the following areas:

<u>Areas of Review</u>	<u>Compliance Standard</u>	<u>Compliance Rate</u>
AUTOMOBILE		
Bodily Injury Paid Claims		
Did the Company make timely settlements to claimants to conform with Ohio Adm.Code 3901-1-54(G)(6) or 3901-1-07(C)(16)?	93%	92%
Territory Rating		
Did the Company apply automobile rating territory classifications to its new business in a manner conforming with R.C. 3937.03(H), 3901.20, 3901.21(M), and the fourth from last paragraph of 3901.21?	90%	89%
Contents Paid Claims		
Was settlement amount calculated in manner conforming with Ohio Adm.Code 3901-1-54(I) and Company’s contracts?	93%	68%

This concludes the report of the Market Conduct Examination of Westfield National Insurance Company, Westfield Insurance Company, American Select Insurance Company, and Ohio Farmers Insurance Company. The Examiners, Don Layson, Molly Porto, Larry Stovall, Ron Roush, and Cheryl Davis would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.



Don Layson
Examiner in Charge



Date

ATTACHMENT



**WESTFIELD
GROUP™**

August 5, 2005

Don Layson
Examiner in Charge
OHIO DEPARTMENT OF INSURANCE
2100 Stella Court
Columbus, OH 43215-1067

RECEIVED

AUG 08 2005

**OHIO DEPT. OF INSURANCE
MARKET CONDUCT DIVISION**

**RE: MARKET CONDUCT EXAMINATION AS OF DECEMBER 31, 2003
WESTFIELD NATIONAL INSURANCE COMPANY
WESTFIELD INSURANCE COMPANY
OHIO FARMERS INSURANCE COMPANY
AMERICAN SELECT INSURANCE COMPANY**

Dear Don:

Thank you for the opportunity to respond to the draft Market Conduct Examination Report.

In response to the Underwriting and Rating Recommendations, we appreciate the Department's Recommendations and we would offer the following:

Consistent with the Department's Recommendation on Automobile Territory Rate Classification, Westfield's Product Development area has spent a considerable amount of time redoing the Defender series territorial definitions and has filed them with the Department.

We will revise our Territorial Rating System. Our follow-up examination has convinced us that a Geocoding based solution will provide us with the optimal solution and ability to accurately place business for rating. Accordingly, we have researched and are reviewing potential vendors; once we have narrowed the field, we will solicit bids to meet our needs and then select a particular vendor. Once the vendor is selected, we will proceed to design and implement a new system which will enable us to correct the errors in assignment and rating which the Department's Report reflects. In turn, that will enable us to address all policies written or in force since January 1, 2003.

Those who were undercharged in the sample will not be affected until their next renewal period. We already have developed a system to issue refunds to the insureds that were identified in the sample as being overcharged. Because of the complications surrounding calculating refunds on policy periods not yet expired, we will issue refunds on all expired policy periods up front, and issue refunds on all policies not yet expired in three different groupings so as not to hold up refunds to these policyholders with earlier expiration dates. The last of those refunds will be issued in March, 2006.

We already have sent one letter to the agents advising them of the territory rating problem and identifying those affected in the Department's sample, but we can share all future correspondence with the Department, prior to issuance.

On the Claims Review, we appreciate the Department's Recommendations and we would advise the Department as follows on the individual findings:

Sharing knowledge and building trust through insurance and banking.

One Park Circle • P.O. Box 5001 • Westfield Center, Ohio 44251-5001 • 1.800.243.0210 • fax 330.887.0840 • www.westfieldgrp.com

As to the Fraud Reporting and Anti-Fraud Plan, we would confirm that we have revised the Plan to specifically include insurance department notification and our employees have been trained accordingly.

On Timeliness of Claim Settlement, we are establishing a thirty-day supervisory diary on our electronic claims handling system, and our file supervisors have been notified of the change. Moreover, we have created a Quality Assurance Team to provide an unbiased and independent review of our adjustors' compliance with our internal guidelines, as well as the applicable statutory and regulatory requirements upon which the guidelines are based.

On Use of Non-OEM Parts and Repair Estimates, we have revised the electronic estimate generating system to include the Non-OEM Parts language. All estimates, whether internally or externally generated, are run through that system so all estimates are affected by the change.

On Use of "Like Kind and Quality" Parts and Repair Estimates, we now require that the licensed salvage dealers' addresses and phone numbers be included on all estimates generated which include "like kind and quality" parts. The electronic estimate generating system has been revised to include those as required fields.

On Vehicle Total Loss - Sales Tax, we have issued a written bulletin to reinforce our procedures and provided in-person training on the necessity to pay sales tax as applicable and the necessity to adequately document that payment. The Quality Assurance Team also provides an unbiased and independent review of our adjustors' compliance with our internal guidelines, as well as the applicable statutory and regulatory requirements upon which the guidelines are based.

On Automobile Denied and Closed without Payment Claims General Methodology, while we did not violate any statutes or regulations, the Department has suggested we should find a way to more readily identify claims which were denied. Currently, we are evaluating developing a new claims system and as part of that process, we will compare the cost to add that feature, versus the benefit of doing so.

On Homeowners Settlement Amounts/Sales Tax Requirements, we issued a written bulletin to reinforce the existing procedures to include sales tax on Homeowner's losses and to make it necessary to document how a loss is calculated and determined. We also have revised our forms themselves to include a sales tax calculation field and have conducted in-person training to reinforce these points. The Quality Assurance Team also provides an unbiased and independent review of our adjustors' compliance with our internal guidelines, as well as the applicable statutory and regulatory requirements upon which the guidelines are based.

On Homeowners Denied Claims General Methodology, we issued a written bulletin to all affected adjustors, reinforcing the fact that a copy of the denial letter sent to the claimant must be kept in the claim file and that the denial letter must include the specific reason for any exclusion applied. Once again, we have implemented the Quality Assurance Team to provide an unbiased and independent review of our adjustors' compliance with our internal guidelines, as well as the applicable statutory and regulatory requirements upon which the guidelines are based.

Westfield appreciates the opportunity to be heard on the Department's findings and recommendations. Additionally, the examiners, both on-site and off, were consistently courteous to and professional with us and we would express our appreciation for the way in which they handled their responsibilities.

Sincerely,



John T. H. Batchelder
Assistant Corporate Secretary

JTHB:jmi

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

IN THE MATTER OF : **CONSENT ORDER**
THE WESTFIELD GROUP :
OF COMPANIES MARKET :
CONDUCT EXAMINATION :

The Superintendent of the Ohio Department of Insurance (“Department”) is responsible for administering Ohio insurance laws pursuant to Section 3901.011 of the Ohio Revised Code (“R.C.”). The Department conducted a market conduct examination of The Westfield Group of Companies (“Companies”), consisting of the Westfield National Insurance Company (“Westfield National”), the Westfield Insurance Company (“Westfield Insurance”), the American Select Insurance Company (“American Select”), and the Ohio Farmers Insurance Company (“Ohio Farmers”). The Companies are authorized to engage in the business of insurance in the State of Ohio and, as such, are under the jurisdiction of the Superintendent and the Department. The Department examined the Companies’ private passenger automobile and homeowner insurance business in the State of Ohio for the period of January 1, 2003, through December 31, 2003.

SECTION I

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

ALL COMPANIES

- A. The Companies 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).
- B. The ‘Westfield Insurance Anti-Fraud Plan’ handbook failed to specifically state that the Department’s Fraud Division would be notified if a company believed a claimant was involved in possible fraud as stated in Ohio Administrative Code (“Ohio Adm.Code”) 3901-1-54 (G)(1).

WESTFIELD NATIONAL INSURANCE COMPANY

- A. Westfield National accepted and processed automobile property damage 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).
- B. Westfield National accepted and processed property damage total loss paid claims without documentation of either the payment of sales tax or the notice to the claimant that if a purchase of replacement vehicle occurs within 31 days of cash settlement,

sales tax would be reimbursed as required by former Ohio Adm.Code 3901-1-54 (H)(7)(a-e).

- C. A review of the homeowner contents claims paid during the exam period disclosed that some of the claim files were not adequately documented. As such, the examiners could not determine how settlements were calculated and whether the applicable sales tax was paid as required in Ohio Adm.Code 3901-1-54 (I) and Company contracts.
- D. A review of the homeowner contents claims that were denied and closed without payment during the examination period showed that some files were not adequately documented. As such, the examiners could not verify that a denial letter was provided to the claimant, that the denial letter included the specific reason for the denial, and that the dates in the claim handling process conformed with Ohio Adm.Code 3901-1-54 (G)(1),(2),(3), and (5).

WESTFIELD INSURANCE COMPANY

- A. Westfield Insurance accepted and processed automobile collision and property damage 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).
- B. Westfield Insurance accepted and processed property damage total loss paid claims without documentation of either the payment of sales tax or the notice to the claimant that if a purchase of replacement vehicle occurs within 31 days of cash settlement, sales tax would be reimbursed as required by former Ohio Adm.Code 3901-1-54 (H)(7)(a-e).
- C. A review of the homeowner contents claims paid during the exam period disclosed that some of the claim files were not adequately documented. As such, the examiners were unable to determine how settlements were calculated and whether the applicable sales tax was paid as required in Ohio Adm.Code 3901-1-54 (I) and Company contracts.
- D. A review of the homeowner contents claims that were denied and closed without payment during the examination period showed that some files were not adequately documented. As such, the examiners could not verify that a denial letter was provided to the claimant, that the denial letter included the specific reason for the denial, and that the dates in the claim handling process conformed with Ohio Adm.Code 3901-1-54 (G)(1),(2),(3), and (5).

AMERICAN SELECT INSURANCE COMPANY

- A. American Select accepted and processed automobile collision and property damage 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).

- B. American Select accepted and processed automobile collision partial losses without the inclusion of the required statutory wording where non-original equipment manufactured parts are utilized as required by Ohio Adm.Code 3901-1-54 (H)(4) and R.C. 1345.81.
- C. American Select accepted and processed collision and property damage total loss paid claims without documentation of either the payment of sales tax or the notice to the claimant that if a purchase of replacement vehicle occurs within 31 days of cash settlement, sales tax would be reimbursed as required by former Ohio Adm.Code 3901-1-54 (H)(7)(a-e).
- D. A review of the homeowner structure and contents claims paid during the exam period disclosed that some of the claim files were not adequately documented. As such, the examiners could not determine how settlements were calculated and whether the applicable sales tax was paid as required by Ohio Adm.Code 3901-1-54 (I) and the Company contracts.

OHIO FARMERS INSURANCE COMPANY

- A. A review of the automobile bodily injury claims paid during the examination period disclosed that some of the claims were not handled in a timely manner as required in Ohio Adm.Code 3901-1-54 (G)(6) and 3901-1-07 (C)(16).
- B. A review of the homeowner contents claims paid during the exam period disclosed that some of the claim files were not adequately documented. As such, the examiners could not determine how settlements were calculated and whether the applicable sales tax was paid as required in Ohio Adm.Code 3901-1-54 (I) and Ohio Farmers contracts

SECTION II

It is hereby agreed to by the parties that:

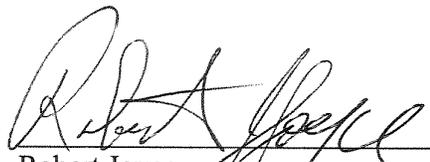
- A. The Superintendent and the Companies enter into this Consent Order to resolve the allegations as set forth in Section I of this order. Further, the Companies admit to the allegations set forth in Section I.
- B. The Companies have been advised that they have a right to a hearing before the Superintendent pursuant to R.C. Chapter 119; that, at a hearing, they 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, they would be entitled to present their position, arguments or contentions

in writing and to present evidence and examine witnesses appearing for and against them. The Companies hereby waive all such rights.

- C. The Companies consent to the jurisdiction of the Superintendent and the Department to determine the issues set forth herein. The Companies expressly waive any prerequisites to jurisdiction that may exist.
- D. The Companies will institute a review of all policies written or in-force since January 1, 2003, to ensure compliance with R.C. 3937.03(H). Where overcharging has occurred, all premiums will be computed retroactively to the first new business or renewal date of the policy following January 1, 2003. Any overcharged premiums will be promptly returned to the policyholder. Where undercharging has occurred, rate corrections will be implemented to take effect on the next renewal date.
- E. The Companies have instituted policies and controls to ensure that fraud reporting procedures conform to Ohio Adm.Code 3901-1-54(G)(1).
- F. The Companies will institute policies and controls to ensure that Westfield National, Westfield Insurance, American Select, and, Ohio Farmers are in compliance with the allegations contained in Section I.
- G. The Companies will pay an administrative fine of \$40,000 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.
- H. The Companies waive any and all causes of action, claims or rights, known or unknown, which they 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.
- I. The Companies have read and understand this Consent Order. The Companies further understand that they have the right to seek counsel of their choice and to have counsel review this Consent Order.
- J. 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 Companies to any and all remedies available to the Superintendent.

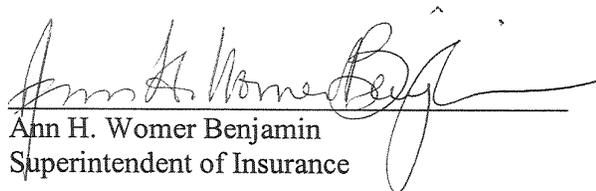
K. This Consent Order shall be entered in the Journal of the Ohio Department of Insurance. All parties understand and acknowledge that this Consent Order is a public document pursuant to R.C. 149.43.

Date: 10-17-05



Robert Joyce
Chairman and Chief Executive Officer
The Westfield Group of Companies

Date: 10/21/05



Ann H. Womer Benjamin
Superintendent of Insurance