

**OHIO DEPARTMENT OF INSURANCE**

**A**

**MARKET CONDUCT EXAMINATION**

**OF**

**WESTERN RESERVE MUTUAL CASUALTY COMPANY**

**NAIC # 26131**

**As Of**

**September 30, 2004**





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

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

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

Director:

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

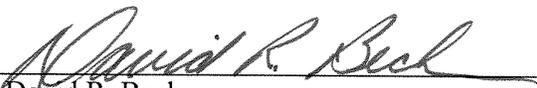
Western Reserve Mutual Casualty Company NAIC# 26131

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

1685 Cleveland Road  
Wooster, Ohio 44691

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)**

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## FOREWORD

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

## SCOPE OF EXAMINATION

On August 13, 2004, the Market Conduct Division, Ohio Department of Insurance (“Department”), opened an examination into the non-financial business practices of Western Reserve Mutual Casualty Company (“Company”) by sending the Company a call letter and initial request for information. On January 19, 2005, the on-site portion of the examination began at the Company’s statutory home office in Wooster, Ohio.

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

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. Claim Settlements
- H. Policyholder Services

## METHODOLOGY

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

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

The examiners used the NAIC’s standard of:

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

to determine whether an apparent pattern or practice of non-compliance existed for any given test. The results of each test applied to a sample are reported separately. Each test is expressed as a “yes/no” question. A “yes” response indicates compliance, and a “no” response indicates a failure to comply. A “no” response may be referred to in this report as an “exception.”

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

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

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

## **SAMPLING**

Upon request, the Company supplied reports of policy and claim data in file formats, which could be used on IBM compatible personal computers. Except as otherwise noted, all tests were conducted on a sample of files randomly selected from a given report. The samples were 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**

The Company was incorporated under the laws of Ohio on June 29, 1937, and is one of three companies that comprise the Western Reserve Group (“WRG”). Other WRG member companies are Lightning Rod Mutual Insurance Company (“LRM”) and Sonnenberg Mutual Insurance Company (“SMI”). All companies are under common management and are licensed and active in Ohio and Indiana. The Company and LRM are also licensed, but not active, in Illinois and Tennessee. The three companies operate under an inter-company reinsurance pooling agreement whereby combined premiums, losses, and expenses of the three companies are allocated 55% to the Company, 40% to WRM and 5% to SMI.

## **COMPANY OPERATIONS**

The Company writes personal auto, homeowners, dwelling, personal and commercial inland marine, personal and commercial umbrella, commercial auto, commercial property, commercial general liability, commercial package, and business owners and artisan in Ohio and Indiana. The Company provides a “preferred” price tier for personal auto and homeowner policies in a three-tier system that includes “superior,” “preferred,” and “standard” price tiers. “Superior” risks are written through the LRM, while “standard” risks are written through SMI.

The Company writes exclusively through approximately 290 independent agencies in Ohio. The Company does not use third party administrators or general agencies. The Company conducts business primarily at its Wooster, Ohio offices.

For calendar year 2003, the Company reported total automobile and homeowners direct written premium of \$39,316,691 and direct losses incurred of \$24,541,282. The Company’s year-end 2003 written premium and loss information from the Company’s Financial Annual Statements is as follows:

<i>2003 Private Passenger Auto</i>	<b>Ohio</b>	<b>Ohio</b>
	<b><u>Direct Written</u></b>	<b><u>Incurred Losses</u></b>
Western Reserve Mutual Casualty Company	\$24,910,181	\$14,917,371
<i>2003 Homeowners</i>	<b>Ohio</b>	<b>Ohio</b>
	<b><u>Direct Written</u></b>	<b><u>Incurred Losses</u></b>
Western Reserve Mutual Casualty Company	\$14,406,510	\$9,623,911

As of September 30, 2004, the officers of the Company were:

President	John P. Murphy
VP Finance/CFO/Treasurer	Kenneth B. Stockman
Secretary	John P. Murphy

#### **CERTIFICATE OF AUTHORITY**

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

#### **COMPLIANCE**

The Company does not have a compliance department. Customer service surveys are sent out on all first party claims. Claims supervisors respond to all unfavorable surveys. The Company keeps records of the surveys, and has a formal complaint register to track insurance department complaints. The register also tracks any other complaints that were written to the Company.

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

C.L.U.E. information is utilized on all new business automobile and homeowner risks for underwriting and rating purposes. The Company reports both automobile and homeowner loss information to C.L.U.E.

The Company sends two tape files (auto and homeowners) to Choicepoint every month. These tapes contain loss information for the past month. The data is pulled from the current claims and policy masters, then formatted in Choicepoint's layout and sent to them.

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

#### **PRIVATE PASSENGER AUTOMOBILE UNDERWRITING AND RATING**

##### **Automobile New Business**

##### **Methodology:**

The Company supplied a report of all automobile new business policies with the inception dates for the examination period.

- The examiners reviewed all Company procedure manuals as part of the examination process.
- The examiners selected to review a sampling of automobile new business files to test for compliance.
- The examiners reviewed all credits and surcharges, car symbols, rate class administration, and credit scoring.
- The examiners considered the following to be exceptions:
  1. Any credits and/or surcharges that were not applied or removed per statutes and rules or Company filings.
  2. Any vehicle or driver classifications that were applied incorrectly.

**Standard:** The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the company rating plan.

**Test 1:** Did the Company underwriting and rating practices comply with Ohio Adm.Code 3901-1-55?

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
1,842	50	22	28	90%	44%

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

**Test 2:** Did the Company conform to R.C. 3937.03(H) and classify drivers and vehicles per the rates and manuals of classification filed in accordance with R.C. 3937.03(A)?

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
1,842	50	50	0	90%	100%

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

**Test 3:** Did the Company conform to R.C. 3937.03(H) and apply surcharge “credits/debits” as per the rates and manuals of classification filed in accordance with R.C. 3937.03(A)?

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
1,842	50	50	0	90%	100%

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

**Comments:**

The Company is aware of the incorrect wording regarding the “use” of credit for rating language on their applications. The Company has already corrected this problem with a new application with the correct rating language incorporated in the application.

## **In-Force Automobile Discounts and Surcharges**

### **Methodology:**

The Company supplied a report of all in-force automobile policies with premium surcharges and/or premium credits that occurred during the examination period.

- The examiners reviewed all Company procedure manuals as part of the examination process.
- The examiners selected a sampling of existing business files to test for compliance.
- The examiners considered any credits and/or surcharges that were not applied or removed per statutes and rules or Company filings to be an exception.

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

**Test 1:** Did the Company conform to R.C. 3937.03(H) and classify drivers and vehicles per the rates and manuals of classification filed in accordance with R.C. 3937.03(A)?

### **Findings:**

Population	Sample	Yes	No	Standard	Compliance
20,065	100	100	0	90%	100%

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

**Test 2:** Did the Company conform to R.C. 3937.03(H) and apply surcharge "credits/debits" as per the rates and manuals of classification filed in accordance with R.C. 3937.03(A)?

### **Findings:**

Population	Sample	Yes	No	Standard	Compliance
20,065	100	100	0	90%	100%

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

## **Automobile Territory Rate Classification**

### **Methodology:**

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

- Based on the garaging address supplied, the examiners sent the data to the Ohio Department of Administrative Services to determine the actual location of the address (i.e. municipality, township and county).
- Each company-defined territory was considered a separate population to verify the assignment of the proper automobile rating territory.
- The examiners considered the following to be exceptions:
  1. All instances in which the territory classification assigned did not match the classification filed for the policy garaging location.

2. A territory 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.

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

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

**Findings:**

Number of Territories	Territories in Compliance	Territories Not in Compliance
42	17 (40%)	25 (60%)

Number of Policies	Policies in Compliance	Policies Not in Compliance
1,842	1,619 (88%)	223 (12%)

**Comments:**

The results of the auto territory compliance review indicate a pattern of noncompliance within a number of filed territory rate classifications. All policies within the same municipal corporation must be assigned the same territory pursuant to the fourth from the last paragraph of R.C. 3901.21.

The Company states that it has obtained a new software package, which was installed July 2005, that will better enable it to properly assign territory assignment to each insured. The program was officially up and running October 10, 2005 for agents to utilize.

**Examiner Recommendations:**

- The Company should evaluate all policies written or in-force since October 1, 2003 to present, to determine whether the territory assignment is correct.
- If overcharging of premium occurred, the Company should take the necessary action to correct the territory assignment and refund any overcharged premium amount of \$1.00 or more to the policyholder, computed retroactively to the new business date of the policy. Unless the policy was written before October 1, 2003, the Company should compute the overcharged premium amount to the first renewal date after October 1, 2003. The Company states that it agrees with the examiner recommendation and will proceed to correct the errors in assignment and rating, which this report has identified.
- If undercharging of premium occurred, the Company should make any necessary territory and/or premium adjustments on the next renewal date of the policy. The Company has notified the Department that it is in agreement with this recommendation, and will forward a letter of explanation to the policyholder along with the appropriate refund, if applicable.

## **Policy Cancellation and Nonrenewal**

### **Methodology:**

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

- The examiners reviewed all company procedure manuals as part of the examination process.
- The examiners segmented the terminated policy file by termination reason into four populations:
  1. Policies canceled by the Company for non-payment of premium;
  2. Policies canceled by the Company for underwriting reasons;
  3. Policies not renewed by the Company; and,
  4. Policies not renewed by the Company due to terminated agents.
- The examiners selected a random sample from each population.

### **1. Automobile Policy Cancellations — Non-Pay Cancellations**

**Standard:** Cancellation/non-renewal notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other parties to the contract.

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

#### **Test Methodology:**

- The examiners considered the following to be exceptions:
  1. Any policy that terminated for non-payment of premium with less than ten days notice.
  2. Any policy termination notice that did not contain the reason for cancellation or that did not include a statement that such explanation would be provided within five days after the insured's written request.
  3. Any notice that did not include the right to appeal statement.

#### **Findings:**

Population	Sample	Yes	No	Standard	Compliance
1,695	50	50	0	90%	100%

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

### **2. Automobile Policy Cancellations — Underwriting Cancellations**

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

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

#### **Test Methodology:**

- The examiners considered the following to be exceptions:

1. Any policy that terminated with less than 30 days notice.
2. Any policy termination notice that did not contain the reason for cancellation or that did not include a statement that such explanation would be provided within five days after the insured's written request.
3. Any policy termination notice that did not include the "right to appeal" statement.
4. Any policy termination notice that failed to contain the required information, including the policy number, and was not sent to the last known address.
5. Any notice on which the reason for cancellation did not conform to R.C. 3937.31, R.C. 3937.32 and R.C. 3937.33.

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
123	50	47	3	90%	94%

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

**3. Automobile Policy Non-Renewals**

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

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

**Test Methodology:**

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

The population was divided into two categories based on the Company's non-renewal reason codes: "Underwriting" and "Agent Terminated." The examiners tested the populations separately to confirm compliance.

**Findings – Underwriting:**

Population	Sample	Yes	No	Standard	Compliance
164	50	49	1	90%	98%

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

**Findings – Agent Terminated:**

Population	Sample	Yes	No	Standard	Compliance
288	50	50	0	90%	100%

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

## PRIVATE PASSENGER AUTOMOBILE CLAIM SETTLEMENTS

### Automobile Paid Claims

#### **Methodology:**

The Company supplied reports of first and third party automobile claims closed during the exam period.

- The examiners reviewed either samples or the entire claims population to test for compliance with various sections of Ohio Adm.Code 3901-1-54 and Ohio Adm.Code 3901-1-07.
- The claim files were reviewed to verify dates in the claim settlement process.
- The examiners considered any file that was incomplete or missing to be an exception.

#### **1. Timely Initial Contact**

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

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

#### **Test Methodology:**

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

#### **Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	736	50	50	0	93%	100%
Collision Total	146	50	40	0	93%	100%
Property Damage Partial	952	50	50	0	93%	100%
Property Damage Total	71	71	71	0	93%	100%
Uninsured/Underinsured Motorist	54	54	54	0	93%	100%
Bodily Injury	499	50	50	0	93%	100%

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

#### **2. Timeliness of Claim Settlement**

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

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

**Test Methodology:**

- Where 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 the following to be exceptions:
  1. Any claim on which the Company failed to make payment to a first party claimant in ten days once the amount was known and agreed.
  2. Any claim on which Company failed to make payment to a third party claimant in five working days once the amount was known and agreed.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	736	50	50	0	93%	100%
Collision Total	146	50	50	0	93%	100%
Property Damage Partial	952	50	50	0	93%	100%
Property Damage Total	71	71	71	0	93%	100%
Uninsured/Underinsured Motorist	54	54	53	1	93%	98%
Bodily Injury	499	50	50	0	93%	100%

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

**3. Application of Comparative Negligence**

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

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

**Test Methodology:**

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

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Bodily Injury	499	50	50	0	93%	100%
Uninsured/Underinsured Motorist	54	54	54	0	93%	100%

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

**4. Use of Non-Original Equipment Manufacturer Parts In Repair Estimates**

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

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

**Test Methodology:**

- The examiners removed 5 files from the collision partial loss sample because the claims were not a partial loss.
- The examiners removed 8 files from the property damage partial loss sample because 5 claims were not a partial loss and 3 claims involved subrogation.
- The examiners considered the following to be exceptions:
  1. Any claim on which the Company failed to clearly show on its repair estimate when Non-OEM parts were included in the repair estimate.
  2. Any claim on which the Company’s written estimate did not contain the following language required by R.C. 1345.81: “This estimate has been prepared based upon the use of one or more aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these aftermarket crash parts are provided by the parts manufacturer or distributor rather than by your own motor vehicle manufacturer.”

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	736	50	47	3	93%	94%
Property Damage Partial	952	50	47	3	93%	94%

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

**5. Use of “Like Kind and Quality” Parts In Repair Estimates**

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

**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 the following to be exceptions:
  1. Any claim on which the Company failed to clearly show on its repair estimate that LKQ parts were used in the repair estimate.
  2. Any claim on which the Company failed to clearly show on its repair estimate the location of the licensed salvage dealer where the LKQ parts were to be obtained.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Partial	736	50	48	2	93%	96%
Property Damage Partial	952	50	47	3	93%	94%

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

## 6. Vehicle Total Loss — Actual Cash Value

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

**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 Ohio Adm.Code 3901-1-54(H)(7)(a)-(e)?

### Test Methodology:

- The examiners considered the following to be exceptions:
  1. Any claim on which the Company’s ACV calculation did not conform to the requirements of Ohio Adm.Code 3901-1-54(H)(6)(a)-(d) and Ohio Adm.Code 3901-1-54(H)(7)(a)-(e).
  2. Any claim which the Company failed to adequately document the total loss settlement valuations.

### Findings:

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	146	50	34	16	93%	68%
Property Damage Total	71	71	61	10	93%	86%

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

### Comments:

The Company states that it has hired an Internal Auditor for the purpose of instituting an internal audit program to ensure that independent adjusters are using NADA exclusively when calculating the actual cash value on total losses. As a result, procedures and controls have been established by the Company and are currently being implemented to remove any perception of an inconsistent application of the NADA as the Company’s exclusive method for determining the ACV.

### Examiner Recommendations:

- The results of the Company’s 6 month internal audit on the use of NADA as the exclusive valuation basis, when calculating the actual cash value on total losses, should be furnished to the Department upon completion. The Company agrees and will comply with this recommendation.

## 7. Vehicle Total Loss-Sales Tax

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

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

### Test Methodology:

- The examiners considered the following to be exceptions:
  1. 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 Ohio Adm.Code 3901-1-54(H)(7)(e).

Any claim on which the Company failed to use local sales tax rates.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Collision Total	146	50	49	1	93%	98%
Property Damage Total	71	71	67	4	93%	94%

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

**8. 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, 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 offered were within policy limits, in accordance with policy provisions and in compliance with Ohio Adm.Code 3901-1-07(C)(6)?

**Test Methodology:**

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

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorist	54	54	54	0	93%	100%
Bodily Injury-Paid	499	50	50	0	93%	100%

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

**9. 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. 3901.20, as defined in R.C. 3901.21(P), and in conjunction with Ohio Adm.Code 3901-1-54(G)(9), which prohibit the use of pattern settlements?

**Test Methodology:**

- The examiners considered the following to be exceptions:
  1. Any claim on which the Company's claim file showed any indication of the Company's deliberate action to compel a claimant to sue.
  2. Any claim on which the Company's claim file showed any indication of an offer of a pattern settlement.

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.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Uninsured/Underinsured Motorist	54	54	54	0	93%	100%
Bodily Injury-Paid	499	50	50	0	93%	100%

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

**10. Subrogation Recovery**

**Standard:** Deductible reimbursement to insureds upon subrogation recovery is made in a timely and accurate manner.

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

**Methodology:**

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

- The examiners reviewed all Company procedure manuals as part of the exam process.
- The examiners selected to review the entire population to test for compliance.
- The claims files were reviewed to verify the Company's claims settlement practices.
- The examiners considered the following to be exceptions:
  1. Any subrogation on which the Company did not return the first party claimant's deductible upon recovery of its subrogation demand.
  2. The examiner considered any subrogation on which partial recovery occurred, but the Company did not return the partial amount recovered.

**Findings:**

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

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

**Automobile Non-Pay Claims — Settlement Standards**

**Methodology:**

The Company supplied a report of all automobile claims closed without payment during the exam period.

- The examiners reviewed a sampling of claims files to test for compliance.
- The examiners removed 1 file due to being a paid claim.
- The examiners removed 8 files due to being either paid UMBI claims or UMPD only claims.

**Standard:** Denied and closed-without-payment claims are handled in accordance with policy provisions and state law.

**Test:** Did the Company’s denial and closed without pay procedures conform to Ohio Adm.Code 3901-1-54(G)(1)-(3) and (5), and Ohio Adm.Code 3901-1-07(C)(14)?

**Test Methodology:**

- The examiners considered the following to be exceptions:
  1. Any file that did not comply with the section of the rule tested; or
  2. Any file that was incomplete.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Bodily Injury	94	93	93	0	93%	100%
Uninsured/Underinsured	49	41	41	0	93%	100%
Collision	217	50	50	0	93%	100%
Property Damage	215	50	50	0	93%	100%

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

**Comments:**

- The Company was unable to identify “denied” claims 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).

**Examiner Recommendations:**

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.

The Company acknowledges the examiner recommendation. Since the implementation of any changes could involve changes to the Company’s computer system, the Company states that it will review the process, the costs associated with any changes and the practicality of implementing the recommended changes.

**HOMEOWNER UNDERWRITING AND RATING**

**Homeowner New Business**

**Methodology:**

The Company supplied a report of all homeowners new business policies with inception dates during the examination period.

- The examiners reviewed all Company procedure manuals as part of the examination process.

- The examiners selected a sampling of new business files to test for compliance.
- The examiners considered any credits and/or surcharges that were not applied or removed per statutes and rules or Company filings as an exception.

**Standard:** The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the company rating plan.

**Test:** Did the Company underwriting and rating procedures comply with Ohio Adm.Code 3901-1-55, R.C. 3935.04(A) and R.C. 3935.04(H)?

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
3,676	50	50	0	90%	100%

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

**Policy Cancellations and Nonrenewals**

**Methodology:**

All homeowner policies in-force more than 60 days and subsequently terminated at the Company’s initiative, for any reason, during the examination period were supplied by the Company.

- The examiners reviewed all company procedure manuals as part of the examination process.
- The examiners segmented the terminated policy file by termination reason into five populations:
  1. Policies canceled by the Company for non-payment of premium;
  2. Policies canceled by the Company for underwriting reasons;
  3. Policies canceled by the Company for re-write reasons;
  4. Policies not renewed by the Company; and,
  5. Policies not renewed by the Company due to terminated agents.
- The examiners selected a random sample from each population.

**1. Homeowner Policy Cancellations — Non-Pay Cancellations**

**Standard:** Cancellation/non-renewal and declination notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other parties to the contract.

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

**Test Methodology:**

- The examiners considered the following to be exceptions:
  1. Any termination notice that failed to conform to the Company’s homeowner policy provisions.
  2. Any termination notice that failed to contain the required information and appeal notice.

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
1,504	50	50	0	90%	100%

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

**2. Homeowner Policy Cancellations — Underwriting Cancellations**

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

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

**Test Methodology:**

- The examiners considered the following to be exceptions:
  1. Any termination notice that was not mailed within 30 days prior to expiration date.
  2. Any termination notice that did not contain procedures for making an application to the Ohio FAIR Plan.
  3. Any termination notice that did not comply with the Company’s homeowner policy provisions.

**Findings:**

Population	Yes	No	Standard	Compliance
550	50	0	90%	100%

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

**3. Homeowner Policy Cancellations — Rewrite Cancellations**

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

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

**Comments:**

Upon review of the sample of files, the examiners discovered that none of the policy re-writes contained a notice of cancellation. A “Request For Information” form was sent to the Company requesting an explanation. The Company’s response is as follows: “We do not issue a cancellation notice because the policies are not cancelled per se. They are rewritten using the same policy number (different dec no.) providing continuous coverage. The cancellation/rewrite process is utilized for any billing change i.e.: change of mortgagee, payor of premium or bill plan. There is no change in coverage, terms or pricing.”

The Company’s response eliminates the need to further test the sample of rewrite cancellation files for compliance with Ohio Adm.Code 3901-1-18(C).

**4. Homeowner Policy Cancellations — Underwriting Non-renewals**

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

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

**Test Methodology:**

- The examiners considered the following to be exceptions:
  1. Any non-renewal notice that was not mailed within 30 days prior to expiration date.
  2. Any non-renewal notice that did not contain procedures for making an application to the Ohio FAIR Plan.
  3. Any non-renewal notice that did not comply with the Company’s homeowner policy provisions.

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
491	50	50	0	90%	100%

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

**5. Homeowner Policy Cancellations — Company Non-Renewals (Agent Terminated)**

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

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

**Test Methodology:**

- The examiners considered the following to be exceptions:
  1. Any non-renewal notice that was not mailed within 30 days prior to expiration date.
  2. Any non-renewal notice that did not contain procedures for making an application to the Ohio FAIR Plan.
  3. Any non-renewal notice that did not comply with the Company’s homeowner policy provisions.

**Findings:**

Population	Sample	Yes	No	Standard	Compliance
352	50	50	0	90%	100%

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

**HOMEOWNER CLAIM SETTLEMENTS**

**Homeowner Paid Claims**

**Methodology:**

The Company supplied a report of all Homeowner Structure and Contents paid claims that occurred during the exam period.

- The examiners reviewed all Company procedure manuals as part of the exam process
- The examiners reviewed a sampling of claims files to test for compliance.

- 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.

**1. 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 (within 10 days of receipt of notice) with claimants following the report of a claim per Ohio Adm.Code 3901-1-54(F)(2)?

**Test Methodology:**

- The examiners considered any claim on which the required contact or investigation was not done in the required time frames to be an exception.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Contents	551	50	50	0	93%	100%
Dwelling	1135	50	50	0	93%	100%

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

**2. Timely Claim Payments**

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

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

**Test Methodology:**

- The examiners considered any claim on which the claim payment was not made in the required time frame to be an exception.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Contents	551	50	50	0	93%	100%
Dwelling	1135	50	50	0	93%	100%

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

**3. Settlement Amounts/Sales Tax Requirements**

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

**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 the following to be exceptions:

1. Any claim on which the Company's calculation of the settlement amount was done incorrectly.
2. Any claim on which the Company's claim file did not document the payment of sales tax as required.

**Findings:**

Claim Feature	Population	Sample	Yes	No	Standard	Compliance
Contents	551	50	50	0	93%	100%
Dwelling	1135	50	50	0	93%	100%

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

**Treasury Certificate**

**Methodology:**

The Company supplied a report of all homeowners dwelling and content claims paid during the exam period.

- The examiners reviewed all company procedure manuals as part of the examination process.
- The entire population of 46 files was selected for review.
- A population of fire dwelling claims involving payments greater than \$5,000 was produced and reviewed.
- The examiners removed 17 files because:
  1. A treasury certificate was not necessary; or,
  2. The total claim payment was < \$5,000.

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

**Test:** Did the Company claim settlement practices conform to R.C. 3929.86?

**Test Methodology:**

- A file was considered an exception if either:
  1. The file did not comply with the section of the rule tested.
  2. The file was incomplete.

**Findings:**

Population	Sample	Yes	No	Standard	Findings
46	29	7	22	93%	24%

The standard for compliance is 93%. The Company's claims practices were below this standard.

**Examiner Recommendation:**

- The treasury certificate should have Company claim file documentation when requested and received.

## **Demolition Fund**

### **Methodology:**

The Company supplied a report of all homeowners dwelling and content claims paid during the exam period.

- The examiners reviewed all company procedure manuals as part of the examination process.
- The entire population of 15 files was selected for review.
- A population consisting of fire claims involving payments greater than \$5,000 and 60% of the coverage limit was produced and reviewed.
- The examiners removed 7 files due to not having a demolition ordinance established.

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

**Test:** Did the Company make an escrow payment as required by R.C. 3929.86?

### **Test Methodology:**

- A file was considered an exception if either:
  1. The file did not comply with the section of the rule tested or,
  2. The file was incomplete.

### **Findings:**

Population	Sample	Yes	No	Standard	Findings
15	8	8	0	93%	100%

The standard for compliance is 93%. The Company's claims practices were above this standard.

## **Homeowner Non-Pay Claims — Settlement Standards**

### **Methodology:**

The Company supplied a report of all homeowners claims closed without payment during the exam period.

- The examiners reviewed a sampling of claims files to test for compliance.
- The Company was not able to identify claims that were only denied.
- Farm owner policies were excluded.

**Standard:** Denied and closed-without-payment claims are handled in accordance with policy provisions and state law.

**Test:** Did the Company's denial and closed without pay procedures conform to Ohio Adm.Code 3901-1-54(G)(1)-(3) and (5), and Ohio Adm.Code 3901-1-07(C)(14)?

### **Test Methodology:**

- A file was considered an exception if either:
  1. The file did not comply with the section of the rule tested; or
  2. The file was incomplete.

**Findings:**

<b>Claim Feature</b>	<b>Population</b>	<b>Sample</b>	<b>Yes</b>	<b>No</b>	<b>Standard</b>	<b>Compliance</b>
Contents	120	50	50	0	93%	100%
Dwelling	249	50	50	0	93%	100%

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

**POLICYHOLDER SERVICES**

**Consumer Complaints**

The examiners reviewed a listing of 27 complaints for the Western Reserve Group on file with the Consumer Services Division (“CSD”) of the Department. Of the 27 complaints, 19 were identified as complaints for the Company. The examiners reviewed the complaint files to determine if any trends exist for any particular line of business or for any product/service provided by the Company.

The Company supplied a list of complaints received by the Department for the Western Reserve Group, which was compared to the complaints on file with CSD to verify accuracy of reporting by the Company. The Company does not track internal complaints that do not result in complaints received by the Department. The Company does, however, track the results of customer service surveys that are sent out on all first party claims.

**Comments:**

The majority of the complaints reviewed focused on disputed settlement amounts (primarily auto total loss), insurance scoring, and policy nonrenewals due to loss activity. The examiners found the Company to be responsive to policyholder concerns, conducts timely investigations, offers fair settlements to their claimants, and is open to reconsideration of any issue with supporting documentation.

**Examiner Recommendation:**

- The Company should maintain a complaint register to track internal complaints that are not complaints received by the Department. This would allow the Company management to be aware of any complaint trends and possibly resolve complaints before they elevate into ODI complaints.

**SUMMARY OF NON-COMPLIANCE**

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

<b><u>Areas of Review</u></b>	<b><u>Compliance Standard</u></b>	<b><u>Compliance Rate</u></b>
<b>UNDERWRITING AND RATING</b>		
<b>Automobile New Business</b>		
Did the Company underwriting and rating practices comply with Adm.Code 3901-1-55?	90%	44%
<b>Automobile Territory Rate Classifications</b>		
Did the Company apply automobile rating territory classifications to its private passenger automobile new business in a manner that conforms to R.C. 3937.03(H), R.C. 3901.20, R.C. 3901.21(M), and the fourth from the last paragraph of R.C. 3901.21?	90%	40%

**CLAIM SETTLEMENTS**

**Automobile Paid Claims**

**Vehicle Total Loss-Actual Cash Value**

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 Ohio Adm.Code 3901(H)(7)(a)-(e)?

Collision Total Loss	93%	68%
Property Damage Total Loss	93%	86%

**Homeowner Paid Claims**

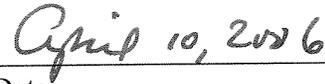
**Treasury Certificate**

Did the Company claim settlement practices conform to R.C. 3929.86?

93%	24%
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This concludes the report of the Market Conduct Examination of Western Reserve Mutual Casualty Company. The examiners, John Pollock, Roger Hinkle, and Cheryl Davis would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.

  
\_\_\_\_\_  
Larry C. Stovall  
Examiner-in-Charge (Acting)  
for Brett Helf

  
\_\_\_\_\_  
Date

Larry C. Stovall  
Examiner in Charge (Acting)  
Market Conduct Division  
Ohio Department of Insurance  
2100 Stella Court  
Columbus, Ohio 43215-1067

RE: Draft Report For the Market Conduct Examination of Western Reserve Mutual  
Casualty Company

Dear Mr. Stovall:

We are writing on behalf of Western Reserve Mutual Casualty Company with regard to the draft report for the Market Conduct Examination that you sent to our attention. Attached is our understanding of the revised report based upon the email we received from you to Gary Gwinn. In light of those revisions and confirmation from the Department that they are accurate, then the company will accept the findings with the following comments.

In response to the Underwriting and Rating recommendations, Western Reserve started, effective October 2005, using new software that provides improved territory assignments and the ability to accurately place business for rating. We will proceed to correct the errors in assignment and rating which the Department's report identified. In this regard, ~~the applicable policies written or in force since October 2003 to the present will be~~ reviewed to determine if any overcharging occurred.

If any overcharging occurred in the amount of \$1.00 or more, we will compute it retroactively to the new business date of the policy. For any policies written before October 1, 2003, we will compute the amount of overcharged premium from the first renewal date after October 1, 2003. We shall forward a letter of explanation along with the appropriate refund. If any undercharging of premium is identified, we will make any necessary territory or premium adjustments on the next renewal date of the policy.

~~The Company has noted the recommendation that written consumer complaints should~~ also be tracked on a formal register similar to the manner in which the Company currently tracks insurance department complaints.

Regarding the Claims review and recommendations, we appreciate the Department's notation that the Company has hired an Internal Auditor whose job will be to institute a broad range of audit procedures. As a result, procedures and controls have been established and are currently being implemented to remove any perception of an inconsistent application of the NADA as our exclusive method for determining ACV. An internal audit will be provided to the Department in six months to substantiate this progress.

Although the Company did not violate any statutes or regulations, we note the Department's suggestion that the Company should develop a more standardized explanation when closing a claim "without pay" that would specify whether that claim was denied. As noted by the Department, the implementation of any changes could involve changes to the Company's computer system. The Company will review the process, the costs associated with any changes and the practicality of implementing the changes.

On Homeowner Paid Claims, the Company notes and appreciates the Department's suggestion that the treasury certificate required under R.C. 3929.86 can be obtained on line and this form of documentation is sufficient to meet the Department's requirements.

It is our belief that we have taken the appropriate steps to resolve the issues identified in the Market Conduct Examination Report. Western Reserve would also like to take this opportunity to thank the examiners for their courtesy and professionalism both on-site and off.

Sincerely,

Gary Gwinn  
Casualty Manager

Portia Wilson  
Sr. Team Leader

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

**IN THE MATTER OF** : **CONSENT ORDER**  
**THE WESTERN RESERVE** :  
**MUTUAL CASUALTY COMPANY** :  
**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 Western Reserve Mutual Casualty Company ("Company"). The Company is authorized to engage in the business of insurance in the State of Ohio and, as such, is under the jurisdiction of the Superintendent and the Department. The Department examined the Company's private passenger automobile and homeowner insurance business in the State of Ohio for the period of October 1, 2003, through September 30, 2004.

SECTION I

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

- A. At the time of the application for insurance, the Company failed to notify the consumer of the "use" of credit information for rating as required by Ohio Administrative Code ("Ohio Adm. Code) 3901-1-55.
- B. The Company failed to apply automobile rating territory classifications to its private passenger automobile new business in a manner that conforms to R.C. 3937.03(H), R.C. 3901.20, R.C. 3901.21(M), and the fourth from the last paragraph of R.C. 3901.21.
- C. The Company was inconsistent in using the National Automobile Dealers Association as its exclusive method for determining the actual cash value ("ACV"). This resulted in the Company calculating ACV on total losses in a manner that did not conform to Ohio Adm.Code 3901-1-54(H)(6)(a)-(d) and Ohio Adm.Code 3901(H)(7)(a)-(e).
- D. The Company's files failed to contain a homeowners treasury certificate or request for a county treasury certificate or other documentation concerning no taxes due on property as required by R.C. 3929.86.

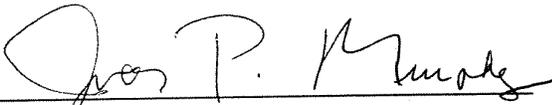
SECTION II

It is hereby agreed to by the parties that:

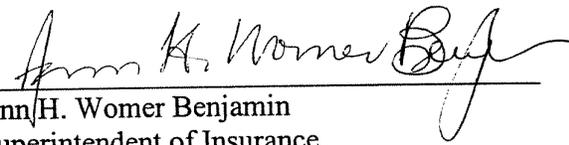
- A. The Superintendent and the Company enter into this Consent Order to resolve the allegations as set forth in Section I of this order. Further, the Company admits to the allegations set forth in Section I.
- B. The Company has been advised that it has a right to a hearing before the Superintendent pursuant to R.C. Chapter 119; that, at a hearing, it would be entitled to appear in person, to be represented by an attorney or other representative who is permitted to practice before the agency; and that, at a hearing, it would be entitled to present its position, arguments or contentions in writing and to present evidence and examine witnesses appearing for and against it. The Company hereby waives all such rights.
- C. The Company consents to the jurisdiction of the Superintendent and the Department to determine the issues set forth herein. The Company expressly waives any prerequisites to jurisdiction that may exist.
- D. The Company represents that its application has been revised to comply with Ohio Adm.Code 3901-1-55.
- E. The Company has instituted policies, procedures and controls for necessary changes to correct the errors in assignment and rating as required by R.C. 3937.03(H), R.C. 3901.20, R.C. 3901.21(M), and the fourth from the last paragraph of R.C. 3901.21.
- F. The Company represents that policies, procedures and controls have been established, and are currently being implemented, to remove inconsistent application of the NADA for determining the ACV as required by Ohio Adm.Code 3901-1-54(H)(6)(a)-(d) and Ohio Adm.Code 3901(H)(7)(a)-(e).
- G. The Company has instituted policies, procedures and controls to obtain the required treasury certificate online when the certificate is not otherwise provided in compliance with R.C. 3929.86.
- H. The Company will pay an administrative fine in the amount of \$10,000.00 by check or money order made payable to the "Ohio Department of Insurance" no later than thirty (30) days after the date of execution of this Consent Order.
- I. The Company waives any and all causes of action, claims or rights, known or unknown, which it may have against the Department, and any employees, agents, consultants, contractors or officials of the Department, in their individual and official capacities, as a result of any acts or omissions on the part of such persons or firms arising out of this matter.
- J. The Company has read and understands this Consent Order. The Company further understands that it has the right to seek counsel of its choice and to have counsel review this Consent Order.

- K. This Consent Order has the full force and effect of an Order of the Superintendent. Failure to abide by the terms of this agreement shall constitute an actionable violation in and of itself without further proof and may subject the Company to any and all remedies available to the Superintendent.
- L. 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: 3/27/06

  
\_\_\_\_\_  
John P. Murphy  
President  
Western Reserve Mutual Casualty Company

Date: 4/10/06

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