

No. 2018- 5636

**OFFICIAL ORDER
of the
TEXAS COMMISSIONER OF INSURANCE**

Date: SEP 18 2018

Subjects Considered:

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY
One Commerce Square
2005 Market Street, Suite 1200
Philadelphia, Pennsylvania 19103

CONSENT ORDER
TDI ENFORCEMENT FILE NO. 11625

General remarks and official action taken:

The subject of this order is whether disciplinary action should be taken against Pennsylvania Lumbermens Mutual Insurance Company (Pennsylvania Lumbermens).

WAIVER

Pennsylvania Lumbermens acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Pennsylvania Lumbermens waives all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

FINDINGS OF FACT

1. Pennsylvania Lumbermens is a foreign fire and casualty insurance company holding a certificate of authority to transact business in Texas.
2. The Insurance Services Office, Inc. (ISO) is a national insurance advisory organization, providing products and services to its participating commercial and personal lines insurers. ISO develops loss costs on a regular basis and files them with TDI. Insurers who utilize ISO loss costs are required to make their own filings in Texas.
3. Pennsylvania Lumbermens writes commercial auto, general liability, and crime policies in Texas using ISO loss costs to develop its rates.

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4. Pursuant to TEX. INS. CODE § 2251.101, insurers must file all rates, applicable rating manuals, supplementary rating information, and any additional information as required. An insurer may use a rate filed on and after the date the rate is filed.
5. In November 2015 and March 2016, Pennsylvania Lumbermens made rate filings with TDI intended, in part, to update loss costs for the company's commercial auto and general liability lines of business, respectively. Pennsylvania Lumbermens made a rate filing with TDI in February 2018, to adopt ISO's loss costs for the company's commercial crime line of business.
6. Through correspondence in the rate filings, the company reported to TDI that it had failed to file a new rate filing each time it used updated loss costs for the company's commercial auto, general liability, and commercial crime lines of business.
7. Pennsylvania Lumbermens represents that the company was not aware that it needed to make new filings each time it implemented updated ISO-developed loss costs in its rates and corrected the oversight when it was discovered.
8. Consequently, Pennsylvania Lumbermens has charged policyholders rates using ISO loss costs that Pennsylvania Lumbermens had not filed with TDI since July 2009. Pennsylvania Lumbermens estimates at least 1,600 policies were affected.

CONCLUSIONS OF LAW

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051 – 82.055, 84.021– 84.044, and 801.052-801.053.
2. The commissioner has the authority to informally dispose of this matter as set forth in TEX. GOV'T CODE § 2001.056; TEX. INS. CODE §§ 36.104 and 82.055; and 28 TEX. ADMIN. CODE § 1.47.
3. Pennsylvania Lumbermens has knowingly and voluntarily waived all procedural rights to which it may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intention to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. Pennsylvania Lumbermens violated TEX. INS. CODE § 2251.101 by using rates not on file with the department.

Pennsylvania Lumbermens is ordered to pay an administrative penalty of \$20,000. The administrative penalty must be paid within 30 days from the date of this order. The administrative penalty may be paid by a cashier's check or money order made payable to the "State of Texas." Mail the administrative penalty to the Texas Department of Insurance,

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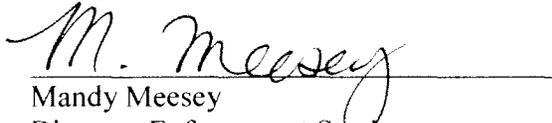
Attn: Enforcement Section, Division 60851, MC 9999, P.O. Box 149104, Austin, Texas
78714-9104.

This consent order, and the associated administrative penalty, resolves the department's
allegations with respect to Pennsylvania Lumbermens' rating error described above in
Finding of Fact Nos. 5-8.



Kent C. Sullivan
Commissioner of Insurance

APPROVED AS TO FORM AND CONTENT:



Mandy Meesey
Director, Enforcement Section
Texas Department of Insurance

