



**COMMONWEALTH OF PENNSYLVANIA  
INSURANCE DEPARTMENT**

MARKET CONDUCT  
EXAMINATION REPORT

OF

**ERIE INSURANCE COMPANY  
ERIE INSURANCE EXCHANGE  
ERIE, PA**

As of: February 10, 2025  
Issued: February 27, 2025

**BUREAU OF MARKET ACTIONS  
PROPERTY & CASUALTY DIVISION**



PENNSYLVANIA INSURANCE DEPARTMENT
EXAMINATION VERIFICATION

I, Richard J. Barr, Market Conduct Examiner from
(Name of Examiner) (Title of Examiner)

the Pennsylvania Insurance Department certify that I was the Examiner-In-Charge of the Report of
(Name of Vendor/Department)

Examination of Erie Insurancer Exchange and Erie Insurance Company made as of 02/10/2025.
(Name of Examined Company) (Date)

The last date of examination file review was 12/09/2024 and the written Report
(Date)

of Examination was reviewed and accepted by the Chief, Paul Towsen
(Chief of Market Conduct Examiner)

On 2/10/2025.
(Date)

I have reviewed the completed written Report of Examination and certify that the facts and figures recited therein are true and accurate, according to the records, documents and other evidence obtained during the course of the examination.

Richard J. Barr
(Examiner-in Charge)

Pennsylvania Insurance Department
(Name of Vendor/Department)

1321 Strawberry Square, Harrisburg, PA 17120
(Address of Vendor/Department)

Richard J. Barr Digitally signed by Richard J. Barr
Date: 2025.02.10 08:22:03 -05'00'
(Examiner in Charge Signature)

12/09/2024
(Date)

IN ORDER TO SATISFY SECTION 40 P.S. § 323.5(b), THAT PROVIDES FOR NO LONGER THAN SIXTY (60) DAYS FROM THE COMPLETION OF THE EXAMINATION, THE EXAMINER IN CHARGE SHALL FILE WITH THE DEPARTMENT A VERIFIED WRITTEN REPORT OF EXAMINATION UNDER OATH.

Erie Insurance Company and Erie Insurance Exchange

TABLE OF CONTENTS

Order

I. Introduction . . . . . 1

II. Scope of Examination . . . . . 3

III. Company History / Licensing. . . . . 4

IV. Claims

    A. Homeowner Claims – Erie Insurance Company . . . . . 6

    B. Homeowner Claims – Erie Insurance Exchange . . . . . 7

    C. Dwelling Fire Owner Occupied – Erie Insurance Company and Erie Insurance Exchange . . . . . 8

    D. Manufactured Home – Erie Insurance Company and Erie Insurance Exchange . . . . . 9

V. Consumer Complaints . . . . . 10

VI. Forms . . . . . 12

VII. Data Integrity . . . . . 13

VIII. Recommendations . . . . . 15

IX. Company Response . . . . . 16

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

**ORDER**

AND NOW, this \_\_3rd\_\_ day of \_July\_\_, 2023, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate David J. Buono, Jr., Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.



---

Michael Humphreys  
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
ERIE INSURANCE COMPANY	:	
ERIE INSURANCE EXCHANGE	:	40 P.S. §323.3(a)
100 Erie Insurance Place	:	
Erie, PA 17530	:	31 Pa. Code §146.6
	:	
	:	
Respondent.	:	Docket No. MC25-02-002

CONSENT ORDER

AND NOW, this 27th day of February, 2025, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. §101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

## FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is Erie Insurance Company and Erie Insurance Exchange, and maintains its address at 100 Erie Insurance Place, Erie, PA 16530.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from March 1, 2023 through November 30, 2023.
- (c) On February 10, 2025, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on March 12, 2025.
- (e) The Market Conduct Examination of Respondent revealed violations of the following:
  - (i) All findings and conclusions in the Examination Report, which is attached hereto, are hereby incorporated into this Consent Order

- (f) It was determined on one of the hail claims reviewed during the exam that the claim was denied on 4/1/24. The policyholder filed a complaint on 4/9/24 requesting reimbursement for the hail damage to the risk. The Company upheld the denial of the claim and advised the policyholder they must repair the damages to their roof to maintain coverage. After discussion on this issue during the Exit Conference, the Company has decided to pay the claim. The Department will follow-up with the Company to confirm payment to the insured.

#### CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.

#### ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.

(b) Respondent shall share the Examination Report and this Order with each of its directors and submit affidavits executed by each of its directors, stating under oath that they have received a copy of the Examination Report and this Order. Such affidavits shall be submitted within thirty (30) days of the date of this Order.

(c) Respondent shall comply with all recommendations contained in the attached Report.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact

and Conclusions of Law contained herein.

9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

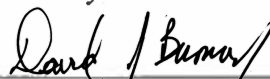
BY: ERIE INSURANCE COMPANY  
ERIE INSURANCE EXCHANGE  
Respondent



\_\_\_\_\_  
President/Vice-President



\_\_\_\_\_  
Secretary/Treasurer



\_\_\_\_\_  
DAVID J. BUONO  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania

## **I. INTRODUCTION**

The Market Conduct Examination of Erie Insurance Company and Erie Insurance Exchange, hereinafter referred to as “the Companies”, was conducted at the Pennsylvania Insurance Department beginning September 5, 2024. There was no onsite portion of the exam.

Pennsylvania Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables the Companies management to review those areas of concern in order to determine the potential impact upon the Companies operations or future compliance. A violation is any instance of the Companies activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties.

In certain areas of review listed in this Report, the examiners will refer to “error ratio.” This error ratio is calculated by dividing the number of policies with violations by the total number of policies reviewed. For example, if 100 policies are reviewed and it is determined that there are 20 violations on 10 policies, the error ratio would be 10%.

Throughout the course of the examination, the Companies officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with the Companies personnel to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the officers and employees of the Companies during the course of the examination is hereby acknowledged.

The following examiners participated in this examination and in preparation of this Report.

Paul Towsen, MCM  
Market Conduct Division Chief  
Pennsylvania Insurance Department

Richard Barr, MCM  
Market Conduct Examiner II, EIC  
Pennsylvania Insurance Department

Paul Greener  
Market Conduct Examiner  
INS Regulatory Insurance Services, Inc.

## **II. SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted on Erie Insurance Company and Erie Insurance Exchange, at the Pennsylvania Insurance Department, located in Harrisburg, Pennsylvania. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act of 1921 and covered only hail damage claims for zip codes 17110 and 17112 for the experience period of March 1, 2023, through November 30, 2023, unless otherwise noted. The purpose of the examination was to determine the Companies' compliance with Pennsylvania insurance laws and regulations.

The examination focused on Companies operations in the following areas:

1. Claims (Hail Damage Claims only for the zip codes 17110 and 17112)
2. Complaints
3. Forms
4. Data Integrity

### **III. COMPANY HISTORY**

Erie Insurance Exchange (hereinafter referred to “Exchange”) is a Pennsylvania domiciled reciprocal insurance exchange (as set forth under 40 P.S. § 961) organized under the Insurance Company Law of Pennsylvania. Its home office and principal executive offices are located at 100 Erie Insurance Place, Erie, Pennsylvania 16530. Exchange began operations on April 20, 1925, and became part of an insurance holding company system pursuant to the enactment of Section 337.7 of the Insurance Company Law of Pennsylvania, added July 29, 1971, P.L. 260 (Act No. 65). Control of Erie Insurance Exchange since its inception has been vested collectively in its subscribers (i.e., policyholders) who have each designated, constituted, and appointed Erie Indemnity Company as his/her/their Attorney-in-Fact. Erie Indemnity Company is a Pennsylvania business corporation and was incorporated on April 17, 1925. Exchange owns 100% of the authorized and outstanding capital stock and voting shares of Erie Insurance Company, Erie Insurance Property & Casualty Company, Flagship City Insurance Company, and Erie Family Life Insurance Company. Exchange also owns 99% of Exchange Opportunity Fund I, LLC and Exchange Opportunity Fund II, LLC, both non-insurance entities. Exchange acts by and through its attorney-in-fact, Indemnity.

Erie Insurance Company is a stock property and casualty insurance company organized under the Insurance Company Law of Pennsylvania with its home office and principal executive offices at 100 Erie Insurance Place, Erie, Pennsylvania, 16530. Erie Insurance Company was incorporated on September 11, 1972, as a wholly owned subsidiary of Erie Insurance Exchange. It began operations on January 1, 1973, and became part of an insurance holding company system upon its incorporation. Erie Insurance Exchange currently owns 100% of the authorized and outstanding capital stock and voting shares of Erie Insurance Company. Erie Insurance Company owns 100% of the authorized and outstanding capital stock

and voting shares of Erie Insurance Company of New York and 1% of both Exchange Opportunity Fund I, LLC and Exchange Opportunity Fund II, LLC, both of which are non-insurance entities.

### **LICENSING**

Erie Insurance Exchange was Incorporated in Pennsylvania and commenced business on April 20, 1925. The Company is licensed in Connecticut, Illinois, Indiana, Kentucky, Maryland, Maine, Minnesota, Montana, North Carolina, Ohio, Pennsylvania, Road Island, Tennessee, Virginia, Vermont, Wisconsin, West Virginia, and the District of Columbia. The Company's 2023 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$2,235,515,695. Premium volume related to the area of this review was, Homeowners Multiple Peril \$297,032,272.

Erie Insurance Company was Incorporated in Pennsylvania and commenced business on January 1, 1973. The Company is licensed in Illinois, Indiana, Kentucky, Maryland, Minnesota, North Carolina, New York, Ohio, Pennsylvania, Tennessee, Virginia, Vermont, Wisconsin, West Virginia, and the District of Columbia. The Company's 2023 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$658,157,059. Premium volume related to the area of this review was, Homeowners Multiple Peril \$450,146,176.

#### **IV. CLAIMS**

The Companies were requested to provide copies of all established written claim handling procedures utilized during the experience period. Written claim handling procedures were received and reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

The Claims review consisted of the following areas of review:

- A. Homeowner Claims – Erie Insurance Company
- B. Homeowner Claims – Erie Insurance Exchange
- C. Dwelling Fire Owner Occupied – Erie Insurance Company and Erie Insurance Exchange
- D. Manufactured Home – Erie Insurance Company and Erie Insurance Exchange

The primary purpose of the review was to determine compliance with 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices. The files were also reviewed to determine compliance with Act 205, Section 4 (40 P.S. §1171.4) and Section 5(a)(10)(vi) of the Unfair Insurance Practices Act (40 P.S. §1171.5(a)(10)(vi)).

##### **A. Homeowner Claims – Erie Insurance Company**

From the universe of 232 homeowner claims reported during the experience period, 75 files were selected for review. All 75 files selected were received and reviewed. The one violation noted was based on one file, resulting in an error ratio of 1%.

The following finding was made:

*1 Violation 31 Pa. Code §146.6*

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot be reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the claim file noted.

The following concern was noted:

**CONCERN:** In one of the 75 claim files reviewed, the Company received a claim on 3/14/24 and an inspection of the loss occurred on 3/19/24. Hail damage was documented on the inspection report. The risk is a duplex, and the adjoining unit had the roof replaced for hail damage. The Company denied the claim and issued a denial letter on 4/1/24. The policyholder filed a complaint with the Company on 4/9/24 requesting reimbursement for the hail damage to the risk. The Company upheld the denial of the claim and additionally advised the policyholder that they must repair the damages to their roof in order to maintain their insurance coverage. Based on the inspection report that indicated hail damage to the roof, the Company should have paid this claim. Erie disputes this finding but has agreed to pay the claim. The Department will follow-up with the Company for proof of restitution (payment of claim).

**B. Homeowner Claims – Erie Insurance Exchange**

From the universe of 212 homeowner claims reported during the experience period, 75 files were selected for review. All 75 files selected were

received and reviewed. The four violations noted were based on four files, resulting in an error ratio of 5%.

The following findings were made:

*4 Violations 31 Pa. Code §146.6*

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot be reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the four claim files noted.

The following concern was noted:

**CONCERN:** In one of the 75 claim files reviewed, the Company denied payment of a claim twice and only reversed its decision after a PA DOI complaint was filed and the insured acquired an attorney. This claim should have been paid without necessitating such efforts on the part of the insured. Company should review claims process to avoid possible UPIA violations in the future.

**C. Dwelling Fire Owner Occupied – Erie Insurance Company and Erie Insurance Exchange**

The Companies did not have any dwelling fire owner occupied claims during the experience period. No files were reviewed; therefore, no violations were given.

**D. Manufactured Home – Erie Insurance Company and Erie Insurance Exchange**

The Companies did not have any manufactured home claims during the experience period. No files were reviewed; therefore, no violations were given.

**V. CONSUMER COMPLAINTS**

**Erie Insurance Company-Complaints**

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the experience period of March 1, 2023, through November 30, 2023. The Company identified nine consumer complaints received during the experience period and provided all consumer complaint logs requested. From the universe of nine complaint files, all nine files were selected for review. All nine files requested were received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, (40 P.S. §§1171.1 – 1171.5). Section 5(a)(11) of the Act (40 P.S. §1171.5(a)(11)), requires a company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. The individual complaint files were reviewed for the relevancy to applicable statutes and to verify compliance with 31 Pa. Code §146.5(b)(c). There were no violations noted.

The following synopsis reflects the nature of the nine complaints that were received.

1	Cancellation/Nonrenewal	11%
7	Claims Related	78%
1	Premium	11%
<hr/> 9		<hr/> 100%

*Erie Insurance Exchange-Complaints*

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the experience period of March 1, 2023, through November 30, 2023. The Company identified 10 consumer complaints received during the experience period and provided all consumer complaint logs requested. From the universe of 10 complaint files, all 10 files were selected for review. All 10 files requested were received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, (40 P.S. §§1171.1 – 1171.5). Section 5(a)(11) of the Act (40 P.S. §1171.5(a)(11)), requires a company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. The individual complaint files were reviewed for the relevancy to applicable statutes and to verify compliance with 31 Pa. Code §146.5(b)(c). There were no violations noted.

The following synopsis reflects the nature of the nine complaints that were received.

1	Cancellation/Nonrenewal	10%
6	Claims Related	60%
1	Premium	10%
1	Agency Conduct	10%
1	Underwriting Miscellaneous	10%
<hr/>		<hr/>
10		100%

## **VI. FORMS**

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with the Insurance Company Law, Section 354 (40 P.S. §477b), Approval of Policies, Contracts, etc., Prohibiting the Use Thereof Unless Approved. During the experience period of the examination, Section 354 provided that it shall be unlawful for any insurance company to issue, sell, or dispose of any policy contract or certificate covering fire, marine, title and all forms of casualty insurance or use applications, riders, or endorsements in connection therewith, until the forms have been submitted to and formally approved by the Insurance Commissioner. All underwriting and claim files were also reviewed to verify compliance with 75 Pa. C.S. §1822, which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claim forms, and all renewals of coverage and 18 Pa. C.S. §4117(k)(1), which requires all insurers to provide an insurance fraud notice on all applications for insurance and all claim forms. There were no violations noted.

## **VII. DATA INTEGRITY**

As part of the examination, the Companies were sent a preliminary examination packet in accordance with NAIC uniformity standards and provided specific information relative to the exam. The purpose of the packet was to provide certain basic examination information, identify preliminary requirements and to provide specific requirements for requested data call information. Once the Companies provided all requested information and data contained within the data call, the Department reviewed and validated the data to ensure its accuracy and completeness to determine compliance with Insurance Department Act of 1921, Section 904(b) (40 P.S. §§323.3(a) and 323.4(b)). A data integrity issue was found during the exam.

The data integrity issue of each area of review is identified below.

***Erie Insurance Exchange*** – No data integrity issues were found during the exam

### ***Erie Insurance Company***

#### **Homeowner Roof Damage/Hail Claims**

Situation: As the examiners reviewed the homeowner claim files of the claims section of the exam, it was noted that not all the 75 files selected for review were policies located in zip codes 17110 and 17112.

Finding: Of the 75 homeowner claim files reviewed, 1 file was identified with a zip code of 17104.

The following finding was made:

*General Violation 40 P.S. §323.3(a)*

Requires every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business, and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of that company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The violation was the result of a failure to exercise sufficient due diligence to ensure compliance with the Insurance Department Act of 1921.

## **VIII. RECOMMENDATIONS**

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other statutory or regulatory violations, noted in the Report.

1. The Companies must review 31 Pa Code §146.6 with its claim staff to ensure that the claims department promptly provides the required 30/45 day status letter to claimants.
2. The Companies must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.3(a), so that violations noted in the Report do not occur in the future.

**IX. COMPANY RESPONSE**

The Company agrees with the report.