



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF

**FIRST ACCEPTANCE
INSURANCE COMPANY, INC.
DALLAS, TX**

As of: August 12, 2025
Issued: October 1, 2025

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



PENNSYLVANIA INSURANCE DEPARTMENT
EXAMINATION VERIFICATION

I, _____, _____ from
(Name of Examiner) (Title of Examiner)

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

Examination of _____ made as of _____.
(Name of Examined Company) (Date)

The last date of examination file review was 04/23/25 and the written Report
(Date)

of Examination was reviewed and accepted by the _____
(Chief of Market Conduct Examiner)

on _____.
(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.

(Examiner-in Charge)

(Name of Vendor/Department)

(Address of Vendor/Department)

Joshua Gotwalt
(Examiner in Charge Signature)

(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.

First Acceptance Insurance Company (Auto)
Table of Contents

	Order	
I.	Introduction	1
II.	Scope of Examination	3
III.	Company History/Licensing	4
IV.	Underwriting	
	A1. Nonrenewals	5
	A2. Midterm Cancellations	5
	A3. 60-Day Cancellations	9
V.	Consumer Complaints.	13
VI.	Underwriting Practices and Procedures	14
VII.	Forms	15
VIII.	Data Integrity	16
IX.	Recommendations	17
X.	Company Response	19

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

duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

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

- (a) Respondent is First Acceptance Insurance Company, Inc. (“First Acceptance”), and maintains its address at 3813 Green Hills Village Drive, Nashville, TN 37215.

- (b) The Department received information that First Acceptance was allowing one of its independent agents, who is licensed by the Department, to write its approved automobile insurance program and process reinstatements with a lapse in coverage, and this market conduct exam was announced to ensure all the UM/UIM coverage waivers and tort waivers were being completed each time along with any other issues that could arise.

- (c) The Department determined during the course of the examination that First Acceptance directed its independent agent to cease reinstating policies with a lapse as it was causing reporting issues with the Pennsylvania Department of Transportation. After August 2024, a new policy was written after the old policy was cancelled. The new policy also provided a new tort selection form, a new

UM/UIM form, a new rejection of stacking form UM/UIM form, and a new itemized invoice to the insured. All violations noted in the Exam were prior to this new implemented procedure.

- (d) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from January 1, 2024 through December 31, 2024.
- (e) On August 12, 2025, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (f) A response to the Examination Report was provided by Respondent on September 11, 2025.
- (g) 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

CONCLUSIONS OF LAW

5. 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.
- (b) Violations of 40 P.S. §991.2006(6) (relating to motor vehicles) of 40 P.S. are punishable by the following, under Section 991.2013: Any individual or insurer who violates any of the provisions of this article may be sentenced to pay a fine not to exceed five thousand dollars (\$5,000).

ORDER

6. 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.

7. 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.

8. 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.

9. 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.

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

11. 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.

12. 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: FIRST ACCEPTANCE INSURANCE
COMPANY, INC.

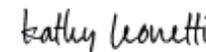
Respondent

Signed by:

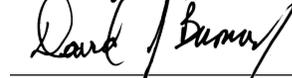


President/Vice-President

Signed by:



Secretary/Treasurer



DAVID J. BUONO

Deputy Insurance Commissioner
Commonwealth of Pennsylvania

Certificate Of Completion

Envelope Id: 6936401D-6B1D-4655-8AF3-7A520B51E910	Status: Completed
Subject: Complete with Docusign: First Acceptance Insurance Company Co. 25 Final Copy.pdf	
Custom Merge Field First Name:	
Source Envelope:	
Document Pages: 6	Signatures: 2
Certificate Pages: 4	Initials: 0
AutoNav: Enabled	Envelope Originator:
Envelopeld Stamping: Enabled	Andrea Patton
Time Zone: (UTC-06:00) Central Time (US & Canada)	3813 Green Hills Vlg Dr
	Nashville, TN 37215
	APatton@firstacceptance.com
	IP Address: 150.195.202.87

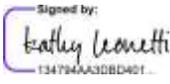
Record Tracking

Status: Original	Holder: Andrea Patton	Location: DocuSign
9/30/2025 11:22:16 AM	APatton@firstacceptance.com	

Signer Events

Kathy Leonetti
kleonetti@firstacceptance.com
Chief Investment Officer
Security Level: Email, Account Authentication (None)

Signature

Signed by:

134794AA30BD481...
Signature Adoption: Pre-selected Style
Using IP Address: 45.62.188.105

Timestamp

Sent: 9/30/2025 11:50:46 AM
Viewed: 9/30/2025 12:06:19 PM
Signed: 9/30/2025 12:09:56 PM

Electronic Record and Signature Disclosure:

Accepted: 9/30/2025 12:06:19 PM
ID: f6b0f32a-7c60-4af9-9f3b-87073d6a536e

Kenneth Russell
krussell@firstacceptance.com
President and Chief Executive Officer
Security Level: Email, Account Authentication (None)

Signed by:

A17783D4E8EE444...
Signature Adoption: Uploaded Signature Image
Using IP Address: 135.131.244.53

Sent: 9/30/2025 11:50:46 AM
Viewed: 9/30/2025 11:56:20 AM
Signed: 9/30/2025 11:59:19 AM

Electronic Record and Signature Disclosure:

Accepted: 9/30/2025 11:56:20 AM
ID: dbccf151-cbe1-44b7-baf0-423bc84070d4

In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps

Envelope Summary Events	Status	Timestamps
Certified Delivered	Security Checked	9/30/2025 11:56:20 AM
Signing Complete	Security Checked	9/30/2025 11:59:19 AM
Completed	Security Checked	9/30/2025 12:09:56 PM

Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, First Acceptance Corporation (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through the DocuSign system. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to this Electronic Record and Signature Disclosure (ERSD), please confirm your agreement by selecting the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print documents we send to you through the DocuSign system during and immediately after the signing session and, if you elect to create a DocuSign account, you may access the documents for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. Further, you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact First Acceptance Corporation:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by phone call: (800) 321-0899

To contact us by email send messages to: CS@firstacceptance.com

To advise First Acceptance Corporation of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at docusignhelp@acceptance.com and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

If you created a DocuSign account, you may update it with your new email address through your account preferences.

To request paper copies from First Acceptance Corporation

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an email to uw@firstacceptance.com and in the body of such request you must state your email address, full name, mailing address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with First Acceptance Corporation

To inform us that you no longer wish to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an email to CS@firstacceptance.com and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

The minimum system requirements for using the DocuSign system may change over time. The current system requirements are found here: <https://support.docusign.com/guides/signer-guide-signing-system-requirements>.

Acknowledging your access and consent to receive and sign documents electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please confirm that you have read this ERSD, and (i) that you are able to print on paper or electronically save this ERSD for your future reference and access; or (ii) that you are able to email this ERSD to an email address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format as described herein, then select the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

By selecting the check-box next to 'I agree to use electronic records and signatures', you confirm that:

- You can access and read this Electronic Record and Signature Disclosure; and
- You can print on paper this Electronic Record and Signature Disclosure, or save or send this Electronic Record and Disclosure to a location where you can print it, for future reference and access; and
- Until or unless you notify First Acceptance Corporation as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by First Acceptance Corporation during the course of your relationship with First Acceptance Corporation.

I. INTRODUCTION

The Market Conduct Examination of First Acceptance Insurance Company, hereinafter referred to as “Company”, was conducted at the Pennsylvania Insurance Department beginning January 8, 2025. 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 Company management to review those areas of concern in order to determine the potential impact upon Company operations or future compliance. A violation is any instance of Company 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, Company 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 Company 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 Company, 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

Joshua Gotwalt, MCM
Market Conduct Examiner II, EIC
Pennsylvania Insurance Department

Richard "RJ" Barr, MCM
Market Conduct Examiner II, Examiner
Pennsylvania Insurance Department

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on First Acceptance Insurance Company, 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 the experience period of January 1, 2024, through December 31, 2024, unless otherwise noted. The purpose of the examination was to determine the Company's compliance with Pennsylvania insurance laws and regulations. This exam was a referral from the PA Enforcement team on January 6, 2025. First Acceptance was allowing one of its independent agents to write a 6-month policy and then allow the insureds to "turn on and off" coverage.

The examination focused on Company operations in the following areas:

1. Private Passenger Automobile
Underwriting - Appropriate and timely notices of nonrenewal, midterm cancellations, and 60-day cancellations
2. Complaints
3. Underwriting Practices and Procedures
4. Forms
5. Data Integrity

III. COMPANY HISTORY

Founded as US Auto in 1995, First Acceptance Corporation (FAC), is a holding company based in Nashville, Tennessee. Through three operating insurance company subsidiaries, FAC generates revenue through the selling, servicing, and underwriting of non-standard personal automobile insurance, renters' insurance, and related products. The three subsidiaries: First Acceptance Insurance Company, Inc. (FAIC); First Acceptance Insurance Company of Georgia, Inc. (FAGA); and First Acceptance Insurance Company of Tennessee, Inc. (FATN). FAIC is the insurance company subsidiary operating and underwriting policies in Pennsylvania. FATN is authorized in Pennsylvania but is not actively issuing policies. FAC's main distribution of its products is through independent agencies.

LICENSING

First Acceptance Insurance Company's last Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2025. The Company is licensed in 26 states: Alabama, Arkansas, Arizona, California, Colorado, Florida, Georgia, Iowa, Illinois, Indiana, Kansas, Kentucky, Louisiana, Missouri, Mississippi, New Mexico, Nevada, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, and West Virginia. The Company's 2023 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$18,510,126. Premium volume related to the areas of this review were: Private Passenger Auto no-fault (personal injury protection) \$2,645,685; Other private passenger auto liability \$11,749,706; and Private Passenger Auto Physical Damage \$4,076,630.

IV. UNDERWRITING

A. Private Passenger Automobile

1. Nonrenewals

A nonrenewal is considered to be any policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the nonrenewal notice.

The Company reported 0 nonrenewals for the experience period.

2. Mid-term Cancellations

A mid-term cancellation is any policy that terminates at any time other than the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the cancellation notice.

From the universe of 8,567 Private Passenger Automobile Midterm Cancellations reported during the experience period, 115 files were selected for review. All 115 files selected were received and reviewed. The 9,392

violations noted were based on 1,863 files, resulting in an error ratio of 100%.

The following findings were noted:

77 Violations 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 the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The Company failed to have proof in the file to indicate that the insured requested cancellation for the 77 files noted.

1,863 Violations 40 P.S. §991.2006(6) AND 75 Pa. C.S. § 1786(e)(3)

Requires that a cancellation notice advise the insured that he must obtain compulsory automobile insurance coverage if he operates or registers a motor vehicle in this Commonwealth and that the insurer is notifying the Department of Transportation that the insurance is being cancelled and the insured must notify the Department of Transportation that he has replaced said coverage. In addition, an insurer who has issued a contract of motor vehicle liability insurance and knows or has reason to believe that the contract is only for the

purpose of providing proof of financial responsibility shall notify the department if the insurance has been cancelled or terminated by the insured or by the insurer. The insurer shall notify the department not later than ten days following the effective date of the cancellation or termination. The Company failed to issue a cancellation letter to the insured as these policies should have been cancelled instead of reinstated and to notify the Department of Transportation not later than ten days following the effective date of the cancellation or termination for the 1,863 files noted.

1,863 Violations 75 Pa. C.S. §1705(a)(4)

Requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy may not be issued unless the applicant has been provided an opportunity to elect a tort option. The Company failed to provide a signed and dated limited tort form for the 1,863 files noted.

1,863 Violations 75 Pa. C.S. §1731(b)&(c)(c.1)

The named insured shall be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form. The Company failed to have a signed rejection form for uninsured and underinsured motorists' coverages for the 1,863 files noted.

1,863 Violations 75 Pa. C.S. §1738(d)(1) &(2)(e)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company failed to provide the signed rejection form of stacked limits for uninsured and underinsured motorists coverage for the 1,863 files noted.

1,863 Violations 75 Pa. C.S. §1791.1(a)

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: “The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages.” The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured’s existing coverages. The Company failed to provide the itemized invoice to the insured at the time of application for the 1,863 files noted.

3. 60-Day Cancellations

A 60-day cancellation is any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)], which prohibits an insurer from canceling a policy for discriminatory reasons and Title 31, Pennsylvania Code, Section 59.9(b), which requires an insurer who cancels a policy in the first 60 days to provide a 30-day mailing notice of the termination.

From the universe of 85,319 private passenger automobile policies, which were cancelled in the first 60 days of new business, 115 files were selected for review. All 115 files requested were received and reviewed. The 86,016 violations noted were based on 17,194 files, resulting in an error ratio of 100%.

The following findings were noted:

46 Violations 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 the company or person and ascertain whether the company or person has complied

with the laws of this Commonwealth. The Company failed to have proof in the file to indicate that the insured requested cancellation for the 46 files noted.

17,194 Violations 40 P.S. §991.2006(6) AND 75 Pa. C.S. § 1786(e)(3)

Requires that a cancellation notice advise the insured that he must obtain compulsory automobile insurance coverage if he operates or registers a motor vehicle in this Commonwealth and that the insurer is notifying the Department of Transportation that the insurance is being cancelled and the insured must notify the Department of Transportation that he has replaced said coverage. In addition, an insurer who has issued a contract of motor vehicle liability insurance and knows or has reason to believe that the contract is only for the purpose of providing proof of financial responsibility shall notify the department if the insurance has been cancelled or terminated by the insured or by the insurer. The insurer shall notify the department not later than ten days following the effective date of the cancellation or termination. The Company failed to issue a cancellation letter to the insured as these policies should have been cancelled instead of reinstated and to notify the Department of Transportation not later than ten days following the effective date of the cancellation or termination for the 17,194 files noted.

17,194 Violations 75 Pa. C.S. §1705(a)(4)

Requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy

may not be issued unless the applicant has been provided an opportunity to elect a tort option. The Company failed to provide a signed and dated limited tort form for the 17,194 files noted.

17,194 Violations 75 Pa. C.S. §1731(b)&(c)(c.1)

The named insured shall be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form. The Company failed to have a signed rejection form for uninsured and underinsured motorists' coverages for the 17,194 files noted.

17,194 Violations 75 Pa. C.S. §1738(d)(1) &(2)(e)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company failed to provide the signed rejection form of stacked limits for uninsured and underinsured motorists coverage for the 17,194 files noted.

17,194 Violations 75 Pa. C.S. §1791.1(a)

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania,

as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages.” The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured’s existing coverages. The Company failed to provide the itemized invoice to the insured at the time of application for the 17,194 files noted.

V. CONSUMER 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 preceding four years. The Company identified 61 consumer complaints received during the experience period and provided all consumer complaint logs requested. 50 files 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 50 complaints that were received.

28	Claims Handling	56%
13	Underwriting /Cancellation	26%
8	Policyholder Services	16%
1	Marketing & Sales	2%
<hr/>		<hr/>
50		100%

VI. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed.

Memos and underwriting rule guides were furnished for the Company. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. There were no violations noted.

VII. 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 files were 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 claims' 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.

VIII. DATA INTEGRITY

As part of the examination, the Company was 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 Company 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 Section 903(a) [40 P.S. §323.3(a)]. There were no violations noted.

IX. 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 Company 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, as noted in the Report, do not occur in the future.

2. The Company must review and revise internal control procedures to ensure compliance cancellation notice requirements of 40 P.S. §991.2006, so that the violations noted in the Report do not occur in the future and The Company must review 40 P.S. §1786(e)(3) to ensure proper notification to the Department of Transportation when a policy has been cancelled or terminated by the insured or insurer.

3. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option and that signed tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under 75 Pa. C.S. §1705(a)(4) do not occur in the future.

4. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to exercise the waiver for uninsured and underinsured motorist coverage forms are obtained and retained with

the underwriting file. This is to ensure that violations noted under 75 Pa. C.S. §1731(b) & (c) do not occur in the future.

5. The Company must revise underwriting procedures to ensure that the insured is aware that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. This is to ensure that violations noted under 75 Pa. C.S. §1738(d)(1) and (2)(e) do not occur in the future.

6. The Company must review 75 Pa. C.S. §1791.1(a) to ensure that violations regarding the requirement to provide an itemized invoice listing minimum coverages at the time of application and every renewal, thereafter, as noted in the Report, do not occur in the future.

X. COMPANY RESPONSE

September 11, 2025

To: Pennsylvania Insurance Department
Attn: Joshua Gotwalt

RE: First Acceptance Insurance Company, Inc.
Examination Warrant Number: 24-M44-041
Examination Period: January 1, 2024 to December 31, 2024
Examination Report – Company Response

Please accept this letter as First Acceptance Insurance Company, Inc.'s ("Company") Written Submission and Rebuttal to the Examination Report. Sections V – VIII of the Report had no violations, and this Rebuttal therefore focuses on Section IV: Underwriting, and specifically mid-term and 60-day cancellations.

With the exception of the few violations noted for 40 P.S. § 323.3(a), the remaining violations – almost 99% – stem from one faulty premise, i.e. that the underlying policies should have been cancelled as opposed to reinstated. As we have consistently noted, First Acceptance is unaware of any statutory support for such a position, and the Department has provided none in response.

The Company further notes that prior to this exam, it undertook measures to improve a number of its operational processes for the benefit of its customers as appropriate under the circumstances, even though it had no statutory obligation to do so. It is the Company's position that all alleged violations or issues raised by the Department in this Examination have already been resolved and mooted by those operational improvement measures, and the Company has fully and promptly responded to all requests for information and documentation from the Department.

Under the circumstances, we respectfully reiterate our belief that the inclusion in the Examination Report of the majority of violations is both unnecessary and inappropriate. That being said, we offer the following specific responses to the various asserted violations:

Section IV: Underwriting

2. Mid-Term Cancellations

77 Violations 40 P.S. § 323.3(a)

Failure to have proof in the file to indicate that the insured requested cancellation.

Response: **Disagree, respectfully.** First Acceptance does not receive requests directly from any insured. As permitted by 40 P.S. §991.2002(c), the insured notified the agent. While First Acceptance does not have the written notification document from the agent for the 77 Violations noted, an electronic data record was and continues to be received by First Acceptance from the agent indicating the insured's request to cancel. Additionally, the agent is documenting the insured's file and sharing with First Acceptance a screenshot of

the insured requesting the cancellation via its software application as it is the entity directly receiving the request. We also note that 40 P.S. § 323.3(a) does not specify the type of proof required, but contemplates many permissible business records, including “books, records, accounts, papers, documents and any or all *computer or other recordings*”. (emphasis added). The records the Company provided satisfy this requirement.

Notwithstanding the position that the statute does not require a specific type of proof, *prior* to the Department’s initiating this examination, First Acceptance undertook measures to improve this process by creating a document memorializing the request for the underwriting file and assist with claim handling.

The Company further notes that upon hearing from the Department, it fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its operational processes as appropriate under the circumstances, as noted. As the Company does in all cases, it will continue to monitor our processes and procedures to ensure compliance.

1,863 Violations: Failure to issue a cancellation letter to the insured as these policies should have cancelled instead of reinstated. Also, failure to notify the Department of Transportation not later than ten days following the effective date of the cancellation or termination.

- a. Response: Disagree generally, and respectfully. These asserted violations are based on the faulty premise that the underlying policies should have been cancelled as opposed to reinstated, and the Company is unaware of any statutory support for such a position.

Additionally, 40 P.S. §991.2006 is not applicable because the cancellations were initiated by the insured. The statute cited applies to policies cancelled “by an insurer.” 40 P.S. §991.2002(c) provides that this article, Article XX which includes 40 P.S. §991.2006, does not apply:

(2) If the named insured has demonstrated by some overt action to the insurer or its agent that he wishes the policy to be cancelled or that he does not wish the policy to be renewed.

Notwithstanding the position that this violation is based on a faulty premise, and the statute does not require a cancellation letter or notice *prior* to the insured’s request to cancel, First Acceptance provided a Confirmation of Cancellation document to the insured after the cancellation request advising the insured to contact the Company if the cancellation was in error and included statutory notice language.

The Company further notes that before the Department initiated this exam, First Acceptance identified concerns with state reporting to the Department of Transportation that were a tied to reinstatements and undertook measures to modify its process to eliminate reporting concerns and improve customer experience,

Finally, upon hearing from the Department, the Company fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its

operational processes as appropriate under the circumstances. As the Company does in all cases, it will continue to monitor our processes and procedures to ensure compliance.

- b. Response: Disagree, respectfully. First Acceptance has always and continues to report cancellations to the Department of Transportation in accordance with 75 Pa. C.S. § 1786(e)(3). A spreadsheet documenting the data reported to the Department of Transportation was produced pursuant to this exam, thereby demonstrating compliance with the statute. (Title: “PennDot Reporting.xlsx”)

1,863 Violations: Failure to have a signed and dated limited tort option selection form in the file.

Response: Disagree generally, and respectfully. These asserted violations are based on the faulty premise that the underlying policies should have been cancelled as opposed to reinstated, and the Company is unaware of any statutory support for such a position.

Additionally, the signed and dated limited tort option selection form was collected at the inception of the policy as required by the statute. The form was not subsequently collected after each reinstatement as the policy remained the same and the statute only requires the notice “prior to the first issuance.” 75 Pa. C.S. §1705(a)(4).

Notwithstanding the position that this is a faulty premise and the statute only requires this form “prior to the first issuance”, the Company identified concerns with state reporting to the Department of Transportation prior to this examination that were a tied to reinstatements and undertook measures to modify its process to eliminate reporting concerns and improve customer experience.

Finally, upon hearing from the Department, the Company fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its operational processes as appropriate under the circumstances. As the Company does in all cases, it will continue to monitor our processes and procedures to ensure compliance.

1,863 Violations: Failure to have a signed written rejection form for Uninsured and Underinsured coverages in the file.

Response: Disagree generally, and respectfully. These asserted violations are based on the faulty premise that the underlying policies should have been cancelled as opposed to reinstated, and the Company is unaware of any statutory support for such a position.

Additionally, the signed written rejection forms for Uninsured and Underinsured coverages were collected at the inception of the policy. The insured was not subsequently informed after each reinstatement as the policy remained the same and the forms had already been presented at inception.

Notwithstanding the position that this is a faulty premise and the statute only requires this form at inception, the Company identified concerns with state reporting to the Department of Transportation that were tied to reinstatements prior to this examination and undertook

measures to modify its process to eliminate reporting concerns and improve customer experience.

Finally, upon hearing from the Department, the Company has fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its operational processes as appropriate under the circumstances. As the Company does in all cases, it will continue to monitor our processes and procedures to ensure compliance.

1,863 Violations: Failure to have a signed rejection of stacked limits for Uninsured and Underinsured Motorist coverages in the file.

Response: Disagree generally, and respectfully. These asserted violations are based on the faulty premise that the underlying policies should have been cancelled as opposed to reinstated, and the Company is unaware of any statutory support for such a position.

Moreover, the signed rejection of stacked limits for Uninsured and Underinsured Motorist coverages was collected at the inception of the policy. The insured was not subsequently offered the coverage after each reinstatement as the policy remained the same and the form had already been presented at inception.

Notwithstanding the position that this is a faulty premise and the statute only requires this form at inception, the Company identified concerns with state reporting to the Department of Transportation prior to this examination that were tied to reinstatements and undertook measures to modify its process to eliminate reporting concerns and improve customer experience.

Finally, upon hearing from the Department, the Company has fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its operational processes as appropriate under the circumstances. As the Company does in all cases, it will continue to monitor our processes and procedures to ensure compliance.

1,863 Violations: Failure to provide the required itemized invoice at the time of application.

Response: Disagree generally, and respectfully. These asserted violations are based on the faulty premise that the underlying policies should have been cancelled as opposed to reinstated, and the Company is unaware of any statutory support for such a position.

Moreover, the itemized invoice was provided at the inception of the policy as required by the statute. The form was not subsequently collected after each reinstatement as the policy remained the same and the statute only requires the invoice “[a]t the time of application for original coverage and every renewal thereafter.” 75 Pa. C.S. §1791.1.

Notwithstanding the position that this is a faulty premise and the statute only requires this itemized invoice with the application and renewal, the Company identified concerns with state reporting to the Department of Transportation prior to this examination that were tied to reinstatements and undertook measures to modify its process to eliminate reporting concerns and improve customer experience.

Finally, upon hearing from the Department, the Company has fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its operational processes as appropriate under the circumstances. As the Company does in all cases, it will continue to monitor our processes and procedures to ensure compliance.

3. 60-Day Cancellations

46 Violations: Failure to have proof in the file to indicate that the insured requested cancellation.

Response: Disagree, respectfully. First Acceptance does not receive requests directly from any insured. As permitted by 40 P.S. §991.2002(c), the insured notified the agent. While First Acceptance does not have the written notification document from the agent for the 46 Violations noted, an electronic data record was and continues to be received by First Acceptance from the agent indicating the insured's request to cancel. Additionally, the agent is documenting the insured's file and sharing with First Acceptance a screenshot of the insured's requesting the cancellation via its software application as it is the entity directly receiving the request. Finally, 40 P.S. § 323.3(a) does not specify the type of proof required, but contemplates many business records, including "books, records, accounts, papers, documents and any or all *computer or other recordings*". (*emphasis added*). The records the Company provided satisfy this requirement, as noted above.

Notwithstanding the position that the statute does not require a specific type of proof, *prior* to the Department's initiating this examination, First Acceptance undertook measures to improve this process by creating a document memorializing the request for the underwriting file and assist with claim handling.

The Company further notes that upon hearing from the Department, the Company fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its operational processes as appropriate under the circumstances. As the Company does in all cases, it will continue to monitor our processes and procedures to ensure compliance.

17,194 Violations: Failure to issue a cancellation letter to the insured as these policies should have cancelled instead of reinstated. Also, failure to notify the Department of Transportation not later than ten days following the effective date of the cancellation or termination.

- a. Response: Disagree generally, and respectfully. These asserted violations are based on the faulty premise that the underlying policies should have been cancelled as opposed to reinstated, and the Company is unaware of any statutory support for such a position.

Additionally, 40 P.S. §991.2006 is not applicable because the cancellations were initiated by the insured. The statute cited applies to policies cancelled "by an insurer." 40 P.S. §991.2002(c) provides that this article, Article XX which includes 40 P.S. §991.2006, does not apply:

(2) If the named insured has demonstrated by some overt action to the insurer or its agent that he wishes the policy to be cancelled or that he does not wish the policy to be renewed.

Notwithstanding the position that this is a faulty premise and the statute does not require a cancellation letter or notice *prior* to the insured's request to cancel, First Acceptance provided a Confirmation of Cancellation document to the insured after the cancellation request advising the insured to contact the Company if the cancellation was in error and included statutory notice language.

The Company further notes that before the Department initiated this exam, it identified concerns with state reporting to the Department of Transportation that were tied to reinstatements and undertook measures to modify its process to eliminate reporting concerns and improve customer experience.

Finally, upon hearing from the Department, the Company has fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its operational processes as appropriate under the circumstances. As the Company does in all cases, it will continue to monitor our processes and procedures to ensure compliance.

- b. Response: Disagree, respectfully. First Acceptance has always and continues to report cancellations to the Department of Transportation in accordance with 75 Pa. C.S. § 1786(e)(3). A spreadsheet documenting the data reported to the Department of Transportation, demonstrating compliance, was produced pursuant to this exam. (Title: "PennDot Reporting.xlsx")

17,194 Violations: Failure to have a signed and dated limited tort option selection form in the file.

Response: Disagree generally, and respectfully. These asserted violations are based on the faulty premise that the underlying policies should have been cancelled as opposed to reinstated, and the Company is unaware of any statutory support for such a position.

Additionally, the signed and dated limited tort option selection form was collected at the inception of the policy as required by the statute. The form was not subsequently collected after each reinstatement as the policy remained the same and the statute only requires the notice "prior to the first issuance." 75 Pa. C.S. §1705(a)(4).

Notwithstanding the position that this is a faulty premise and the statute only requires this form "prior to the first issuance", before the Department initiated this exam, the Company identified concerns with state reporting to the Department of Transportation that were tied to reinstatements and undertook measures to modify its process to eliminate reporting concerns and improve customer experience.

Finally, upon hearing from the Department, the Company has fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its operational processes as appropriate under the circumstances. As the Company does in all cases, it will continue to monitor our processes and procedures to ensure compliance.

17,194 Violations: Failure to have a signed written rejection form for Uninsured and Underinsured coverages in the file.

Response: Disagree generally, and respectfully. These asserted violations are based on the faulty premise that the underlying policies should have been cancelled as opposed to reinstated, and the Company is unaware of any statutory support for such a position.

Additionally, the signed written rejection forms for Uninsured and Underinsured coverages were collected at the inception of the policy. The insured was not subsequently informed after each reinstatement as the policy remained the same and the forms had already been presented at inception.

Notwithstanding the position that this is a faulty premise and the statute only requires this form at inception, before the Department initiated this exam, the Company identified concerns with state reporting to the Department of Transportation that were tied to reinstatements and undertook measures to modify its process to eliminate reporting concerns and improve customer experience.

Finally, upon hearing from the Department, the Company has fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its operational processes as appropriate under the circumstances. As the Company does in all cases, it will continue to monitor our processes and procedures to ensure compliance.

17,194 Violations: Failure to have a signed rejection of stacked limits for Uninsured and Underinsured Motorist coverages in the file.

Response: Disagree generally, and respectfully. These asserted violations are based on the faulty premise that the underlying policies should have been cancelled as opposed to reinstated, and the Company is unaware of any statutory support for such a position.

Moreover, the signed rejection of stacked limits for Uninsured and Underinsured Motorist coverages was collected at the inception of the policy. The insured was not subsequently offered the coverage after each reinstatement as the policy remained the same and the form had already been presented at inception.

Notwithstanding the position that this is a faulty premise and the statute only requires this form at inception, before the Department initiated this exam, the Company identified concerns with state reporting to the Department of Transportation that were tied to reinstatements and undertook measures to modify its process to eliminate reporting concerns and improve customer experience.

Finally, upon hearing from the Department, the Company has fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its operational processes as appropriate under the circumstances. As the Company does in all cases, it will continue to monitor our processes and procedures to ensure compliance.

17,194 Violations: Failure to provide the required itemized invoice at the time of application.

Response: Disagree generally, and respectfully. These asserted violations are based on the faulty premise that the underlying policies should have been cancelled as opposed to reinstated, and the Company is unaware of any statutory support for such a position.

Moreover, the itemized invoice was provided at the inception of the policy as required by the statute. The form was not subsequently collected after each reinstatement as the policy remained the same and the statute only requires the invoice “[a]t the time of application for original coverage and every renewal thereafter.” 75 Pa. C.S. §1791.1.

Notwithstanding the position that this is a faulty premise and the statute only requires this itemized invoice with the application and renewal, before the Department initiated this exam, the Company identified concerns with state reporting to the Department of Transportation that were tied to reinstatements and undertook measures to modify its process to eliminate reporting concerns and improve customer experience.

Finally, upon hearing from the Department, the Company has fully and promptly responded to all requests for information and documentation, and took steps to improve a number of its operational processes as appropriate under the circumstances. As the Company does in all cases, we will continue to monitor our processes and procedures to ensure compliance.

We appreciate the Department providing us with the opportunity to respond, and the professionalism afforded to us by the entire examination team throughout the process.