

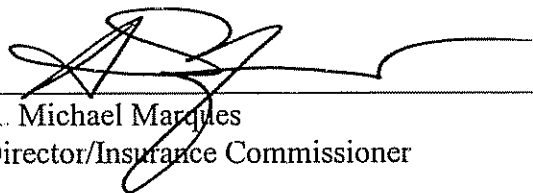
**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION**

The attached Report of Examination as of September 30, 2004 of the market conduct condition and affairs of Providence Mutual Fire Insurance Company was recently completed by duly qualified examiners, pursuant to the provision of the Rhode Island Insurance Code.

Due consideration has been given to the comments of the examiners regarding the operations of Providence Mutual Fire Insurance Company and its market conduct condition as reflected from the examination report.

It is therefore ORDERED that said Report be, and it is hereby adopted and filed and made an official record of this department as of this date.

DEPARTMENT OF BUSINESS REGULATION



A. Michael Marques
Director/Insurance Commissioner

ORDER NO. 05-104

DATED: 3/30/05

REPORT ON
THE MARKET CONDUCT EXAMINATION
OF
PROVIDENCE MUTUAL FIRE INSURANCE COMPANY

as of

September 30, 2004

State of Rhode Island
Department of Business Regulation
Insurance Division

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Providence, Rhode Island

February 8, 2005

Honorable A. Michael Marques
Insurance Commissioner
State of Rhode Island

Dear Commissioner:

In accordance with your instructions and pursuant to the statutes of the State of Rhode Island, a Market Conduct Examination was conducted of the:

Providence Mutual Fire Insurance Company
340 East Avenue
Warwick, Rhode Island 02886

hereinafter referred to as the "Company".

The examination was conducted at the administrative office of the Company, which is located at 340 East Avenue, Warwick, Rhode Island.

FOREWORD

Our Market Conduct Examination Report is, in general, a report by exception. Information relating to practices, procedures, and/or files subject to review during our examination, has been omitted from the report if errors and/or improprieties were not evidenced.

SCOPE OF EXAMINATION

Authority for this examination is provided by R. I. Gen. Laws §27-13-1 and §27-13.1-3. The examination covered the period from February 1, 2003, through September 30, 2004, and was conducted in accordance with standards established by the National Association of Insurance Commissioners, as well as procedures developed by the Rhode Island Department of Business Regulation, Insurance Division.

The examination encompassed the review of the following areas: Consumer or Other Related Complaints, Claim Practices, Cancellation and Nonrenewal Practices. The line of business examined was private passenger automobile.

The primary purpose of the examination was to evaluate the Company's compliance with Rhode Island Insurance Laws and Insurance Regulations, and to determine whether Rhode Island insureds and claimants were being treated equitably. The test work performed during the examination satisfied this purpose, and formed the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the insurer's files.

PROFILE OF COMPANY

Providence Mutual Fire Insurance Company

History

The Providence Mutual Fire Insurance Company was chartered by the General Assembly of Rhode Island in 1800 in Providence and is one of the oldest mutual fire insurance companies in the United States. Based in Warwick, Rhode Island, The Providence Mutual Fire Insurance Company began business in the state of Rhode Island in 1800.

The company was originally founded to insure homes and manufacturing concerns in Providence against the ravages of fire within a ten-mile radius of what was then a village of seven to eight thousand people. During its earliest years, the Providence insured a number of New England's most outstanding landmarks, including the steeple of the First

Baptist Church of America, homes on Benefit Street in Providence, and Slater Mill which later became the birthplace of America's Industrial Revolution.

The Providence Mutual Fire insurance Company has been in continuous operation under the same name since 1800. The company is licensed for property and casualty insurance in eight states: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont.

The Company distributes its product exclusively through the independent agency system with approximately 320 independent agents.

Operations

The Company's Rhode Island direct written premiums through the third quarter 2004 was as follows:

<u>Line of Business</u>	<u>Direct Written Premium (through 9-30-04)</u>
Other Private Passenger Auto Liability	\$ 968,951
Private Passenger Auto Physical Damage	\$ <u>541,545</u>
Total	\$1,510,496

Management

The management of The Providence Mutual Fire Insurance Company is under the direction of experienced insurance executives, who have spent the greater part of their business careers in the insurance industry.

As of December 31, 2003, the Officers of the Company were as follows: Sandra Glaser Parrillo, (President), Earl Francis Cottam Jr., (Treasurer), and Richard Albert Sinnigen, (Secretary).

CLAIM PRACTICES

Private Passenger Automobile

A review of the Company's private passenger automobile claim practices for the period under examination was conducted to determine whether the Company complied with the applicable provisions of its private passenger automobile policy, did not misrepresent policyholders' rights, acknowledged pertinent communications regarding claims, made prompt investigation of claims, and made fair and equitable settlement of claims. In addition, the review was performed to evaluate whether the Company was in compliance with R. I. Gen. Laws §27-7-5, §27-8-12, §27-8-14, §27-9.1-4, §27-10.2-2, §27-29-4, §27-29-16, §27-57-1 and Rhode Island Regulations 10 and 73.

The Company provided the examiners with a listing of claims closed with and without payment during the period under examination. The population was 96, of which 78 were paid claims and 18 were claims closed without payment. All 96 private passenger automobile claim files were selected for review.

Rhode Island Insurance Regulation R27-73-5.D.E. requires that a written acknowledgement be sent to claimants within 10 days of receipt of notice of a claim. Rhode Island Insurance Regulation R27-73-6.E. requires insurers to provide claimants written notice of the applicable statute of limitations before commencing or negotiating for settlement of a claim. The examiners were unable to verify compliance with R27-73-5.D., E., and 6.E until the second quarter of 2004 when the Company began to include a copy of the acknowledgement in file.

Recommendation #1: It is recommended that a copy of the written acknowledgement of the claim be included in each file to ensure compliance with Rhode Island Insurance Regulation R27-73-5.D., E., and 6.E.

CANCELLATIONS

Private Passenger Automobile

A review of Company's private passenger automobile cancellation practices for the period under examination was conducted to determine whether the Company complied with the applicable provisions of its private passenger automobile policy and was in compliance with R. I. Gen. Laws §31-47-4.

The company provided the examiners with a listing of 46 cancellation notices, for reasons other than non-payment, processed during the period under examination. All 46 notices were reviewed.

During our testing, the examiners noted four cancellation files in which the Company did not provide the 30 day notice as required by R. I. Gen. Laws §31-47-4. Therefore, the Company was in violation of R. I. Gen. Laws §31-47-4.

Recommendation #2: It is recommended that the Company monitor their cancellation procedures to ensure compliance with R. I. Gen. Laws §31-47-4.

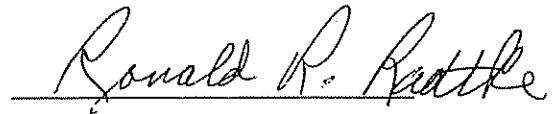
No.	SUMMARY OF RECOMMENDATIONS	Page No.
1.	It is recommended that a copy of the written acknowledgement of the claim be included in each file to ensure compliance with Rhode Island Insurance Regulation R27-73-5.D., E., and 6.E.	6
2.	It is recommended that the Company monitor their cancellation procedures to ensure compliance with R. I. Gen. Laws §31-47-4.	7

CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. We were not informed of, and did not become aware of any other error or irregularity that could have a material effect on the market conduct condition of the Companies as presented in this report.

Assisting the undersigned in the conduct of this examination, was Robert G. Arrow, FLMI, Senior Market Conduct Examiner and Dorothy E. Wendoloski, CFE, Senior Insurance Examiner.

Respectfully submitted,



Ronald R. Radtke

Senior Market Conduct Examiner

Rhode Island Insurance Division

2/8/05
Date