

**STATE OF MINNESOTA  
COMMISSIONER OF COMMERCE**

In the Matter of the Certificate of Authority  
of Harleysville Insurance Company,  
a Minnesota corporation licensed  
to do business in the State of Minnesota.  
NAIC No. 23582

**CONSENT ORDER**

TO: Richard Dowd  
VP Personal Lines  
Harleysville Insurance Company  
355 Maple Avenue  
Harleysville, PA 19441-0002

Commissioner of Commerce James C. Bernstein (hereinafter "Commissioner") has determined as follows:

1. The Commissioner has advised Harleysville Insurance Company (hereinafter "Respondent") that as a result of an investigation by the Commissioner concerning Respondent's conduct as a corporation engaged in the business of insurance in Minnesota, the Commissioner is prepared to commence formal proceedings in accordance with the provisions of Minn. Stat. § 45.027 (2000) against Respondent's Certificate of Authority to engage in the business of insurance in Minnesota based on allegations that Respondent used an improper authorization form to disclose or collect personal or privileged information (Exhibit #1), and by engaging in deceptive or dishonest practices in connection with the insurance business in violation of Minn. Stat. § 72A.501 and § 72A.20, subd. 18 (2000).

2. Respondent acknowledges that it has been advised of its rights to a hearing in this matter, to present argument to the Commissioner and to appeal from any adverse determination after a hearing, and Respondent hereby expressly waives those rights. Respondent further

acknowledges that it has been represented by legal counsel throughout these proceedings or has been advised of its right to counsel, which right it hereby waives.

3. Respondent has agreed to an informal disposition of this matter without a hearing, as provided under Minn. Stat. § 14.59 (2000) and Minn. R. 1400.5900 (2001).

4. The following Order is in the public interest.

**NOW, THEREFORE, IT IS HEREBY ORDERED**, pursuant to Minn. Stat. § 45.027, subd. 7 (2000), with reference to Minn. Stat. § 60A.052, subd. 1 (2000), that Respondent shall cease and desist from using the aforementioned authorization form (Exhibit #1).

**FURTHER, IT IS HEREBY ORDERED**, pursuant to Minn. Stat. § 45.027, subd. 6 (2000) that Respondent shall:

1. For each policyholder that lost their premium rating discount as a result of either signing the improper authorization form or failing to respond to the company's request, credit their policy with the difference in premium attributable to the loss of the discount.
2. Send a letter to each policyholder that received the authorization form in question explaining that:
  - A. no Minnesota law exists that requires the removal of the good-credit discount if they do not sign the authorization form;
  - B. the Respondent's underwriting guidelines and practices, and not a Minnesota law, would mandate the removal of the discount if the authorization form was not signed by the policyholder; and
  - C. Minnesota law states that an insurance company or agent must receive a signed authorization form, from the insured or applicant, before they can collect or disclose personal or privileged information.


**FURTHER, IT IS HEREBY ORDERED**, pursuant to Minn. Stat. § 45.027, subd. 6 (2000) that Respondent shall pay to the State of Minnesota a civil penalty of \$80,000.

This Order shall be effective upon signature on behalf of the Commissioner.

Dated: 08-12-02

JAMES C. BERNSTEIN  
Commissioner of Commerce  
State of Minnesota

By:

  
\_\_\_\_\_  
GARY A. LAVASSEUR  
Deputy Commissioner  
Enforcement Division

85 Seventh Place East, Suite 500  
St. Paul, Minnesota 55101  
Telephone: (651)296-2594

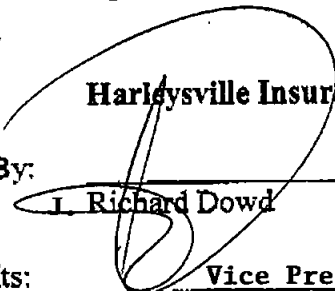
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**CONSENT TO ENTRY OF ORDER**

The undersigned, acting on behalf of Harleysville Insurance Company (hereinafter "Respondent"), states that he has read the foregoing Consent Order; that he knows and fully understands its contents and effect; that he is authorized to execute this Consent to Entry of Order on behalf of Respondent; that he has been advised of Respondent's right to a hearing; that Respondent has been represented by legal counsel in this matter; or that he has been advised of Respondent's right to be represented by legal counsel and that he has waived this right; and that he consents to entry of this Order by the Commissioner of Commerce. It is further expressly understood that this Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either express or implied.

**Harleysville Insurance Company**

By:



J. Richard Dowd

Its:

Vice President

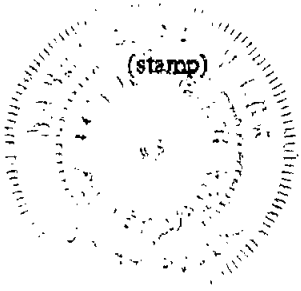
STATE OF PENNSYLVANIA

COUNTY OF MONTGOMERY

This instrument was acknowledged before me on 7/12/02 (date) by J. Richard Dowd

(name(s) of person(s)) as Vice President (type of authority, e.g., officer, trustee, etc.) of

Harleysville Insurance Company (name of party on behalf of whom the instrument was executed).



Nancy C. Detwiler  
(Signature of notary officer)

Title (and Rank) \_\_\_\_\_  
My commission expires: \_\_\_\_\_

Notarial Seal  
Nancy C. Detwiler, Notary Public  
Lower Salford Twp., Montgomery County  
My Commission Expires Feb. 9, 2004  
Member, Pennsylvania Association of Notaries