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The Division of Insurance

The Division of Insurance administers the laws of the Commonwealth as they pertain to the protection of the insurance consumer through the regulation of the insurance industry. The Division monitors financial solvency; licenses insurance companies and producers; reviews and approves rates and forms; and, coordinates the takeover and liquidation of insolvent insurance companies and the rehabilitation of financially troubled companies. We also investigate and enforce state laws and regulations pertaining to insurance and respond to consumer inquiries and complaints. The Division provides the public with information regarding various types of insurance through its website and assorted publications.

Mission

The primary mission of the Division of Insurance is to monitor the solvency of its licensees in order to promote a healthy, responsive and willing marketplace for consumers who purchase insurance products. Protection of consumer interests is of prime importance. The Division safeguards these interests by providing accurate and unbiased information so consumers may make informed decisions and by intervening on behalf of consumers who believe they have been victimized by unfair business practices.

Primary Activities

The Division of Insurance protects consumers and promotes a fiscally sound insurance marketplace through the performance of six primary activities. Taken together, these activities represent the core of effective insurance regulation.

- **License Insurance Companies**
- **Examine the Financial Condition of Insurance Companies**
- **Examine the Market Conduct of Insurance Companies**
- **Regulate Insurance Policy Forms, Rates, and Programs**
- **License Insurance Producers and Others**
- **Resolve Insurance Complaints**

License Insurance Companies

The process of licensing insurance carriers promotes a marketplace of solvent, fiscally sound companies through the review and analysis of filings and financial statements.

Examine the Financial Condition of Insurance Companies

The Division monitors the financial condition of insurance carriers through quarterly financial analyses. This process provides an early warning of possible financial problems so that appropriate regulatory action can be taken before the extreme situation of an insolvency. The monitoring process also includes periodic on-site financial examinations of all domestic carriers to value assets, determine liabilities and verify compliance with applicable statutes and regulations.

Examine the Market Conduct of Insurance Companies

Beyond the financial health of an insurer, the Division also examines how the company interacts with policyholders and potential customers. The process of examining business practices such as policy underwriting and rating practices; cancellations and non-renewals; claim settlements; original insurance applications; and, advertising materials looks beyond the financial condition of a company. The goal of these examinations is to confirm that Massachusetts consumers are treated with fairness and according to the terms of the insurance contract.

Regulate Insurance Policy Forms, Rates, and Programs

By reviewing and approving insurance policy forms, rules, rates, and associated program procedures and operations, the Division verifies that insurance products sold to Massachusetts consumers by licensed insurance companies comply with the laws and regulations of the Commonwealth.

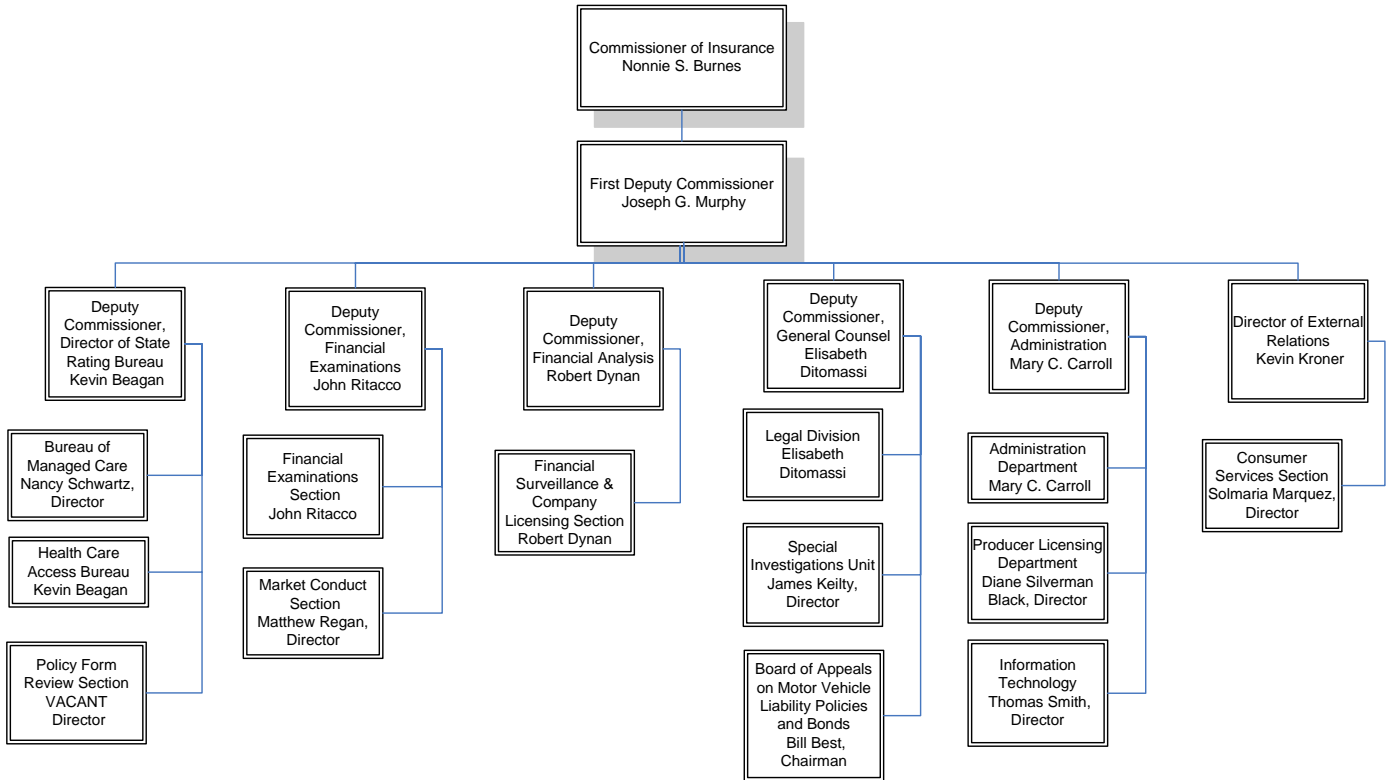
License Insurance Producers and Others

The process of licensing insurance producers and other key participants in the insurance industry allows the Division to promote a marketplace where individuals and firms conducting the business of insurance are qualified and that they conduct business within the requirements of the laws and regulations of the Commonwealth.

Resolve Insurance Complaints

The Division provides the general public with a non-judicial alternative for pursuing complaints against insurance companies and producers. Every consumer submitting a complaint receives a reply and a resolution that is consistent with Massachusetts law.

Organizational Chart



Human Resources

The Administration Department works closely with the Human Resources department on all aspects of managing the Division's workforce, including hiring, promoting, training, and developing. In addition, working with the Division's Labor Relations Counsel, the Administration department responds to various labor relations issues, including employee complaints, grievances and other activities. As of December 31, 2007, the DOI employed 127.5 full time equivalent (FTE) staff.

Budget, Revenue & Assessments

Budget

The Division receives an annual appropriation to account 7006-0020 from the Massachusetts General Court. In addition, the Division has three statutorily created trust accounts: State Rating Bureau Workers Compensation Trust Account - 9222-7650; State Rating Bureau Medical Malpractice Trust Account - 9222-7900; and, the Division of Insurance Medical Malpractice Trust Account - 9222-7500. These trust accounts are funded via direct assessment on the insurance industry.

In addition, the Division maintains several expendable trust accounts. The expendable trust accounts are established for a specific purpose as described in the Trust Agreement and are usually for purposes such as the receipt of class action settlement funds. In Fiscal Year 2007 the following expendable trusts existed for the Division's use: UNUM Provident Trust Account - 7006-0039; AAA Life Settlement Trust - 7006-0038; Division of Insurance Ancillary Receivership Trust Account - 7006-0037; Prudential Insurance Settlement Trust Account - 7006-0031; and, the John Hancock Insurance Settlement Trust Account - 7006-0032.

The Administration Department works closely with the Budget Department of the Administrative Services Unit of the Office of Consumer Affairs on the Division's budget, the Governor's budget recommendation for the Division, the allocation of funds into lower subsidiaries, and the management of Division spending throughout the year.

Fiscal Year 2007 Budget for the Division of Insurance:

Account Name	Account #	Appropriation
Main Appropriation	7006-0020	\$10,717,000
Medical Malpractice Fund	9222-7500	\$532,092
Workers Compensation Fund	9222-7650	\$919,080
SRB Medical Malpractice Fund	9222-7900	\$415,313
TOTAL:		\$12,583,485

Revenue & Assessments

The Division of Insurance collects revenue from individuals and companies as part of our statutory responsibilities. In addition, the Division also bills assessments to the industry and collects these funds for the General Fund. Most revenue collected from companies and individuals takes the form of application and filing fees as well as some fines and penalties.

Fiscal Year 2007 Revenue for the Division of Insurance:

Revenue	Amount
Collected from Companies	
Appointments	\$32,117,515
Company Licenses	\$292,099
Domestic Company Examinations	\$858,533
Fines & Penalties	\$205,430
Filing Fees (Rates & Forms)	\$583,800
Annual Statements	\$211,118
Life Insurance Valuations	\$687,419
Miscellaneous (HMO & PPA Application Fees, Charters, Rating Organizations, and Expenditure Refunds)	\$70,465
Subtotal	\$35,026,379
Collected from Individuals	
Special Brokers Tax	\$28,249,723
Producer Licenses	\$7,501,380
Other Licenses & Exam Fees	\$296,204
Board of Appeal Filing Fees	\$2,034,899
DPH Lead Paint Surcharge	\$666,402
Miscellaneous (Service of Process; Letters of Certification; and other fees)	\$175,163
Subtotal	\$38,923,771
TOTAL	\$73,950,150

The Commissioner of Insurance is required by the Massachusetts General Laws to bill assessments to insurance companies for various purposes. In Fiscal Year 2007, the Division billed eleven assessments totaling more than \$37 million. The revenue collected from these assessments fund a number of state agencies and programs, including the Registry of Motor Vehicle's Merit Rating Board, the Department of Fire Services and various fraud fighting programs.

Fiscal Year 2007 Division of Insurance assessments:

Assessment	Statute	Amount
Attorney General's Office - Rate Setting	MGL c. 26,s. 8F	\$1,708,777
Attorney General's Office - Auto Fraud	Chap. 149, Acts of 2004	\$432,026
AGO - Workers Comp Fraud	Chap. 149, Acts of 2004	\$280,164
Department of Fire Services	Chap. 149, Acts of 2004	\$10,927,047
Division of Insurance Operations	Chap. 149, Acts of 2004	\$11,216,896
Medical Malpractice Analysis Bureau	MGL c. 26, s. 8I	\$325,024
Merit Rating Bureau	MGL c. 6, s.183	\$9,699,163
Special Life Assessment	MGL c. 26, s. 8J	\$1,014,000
State Rating Bureau Operations	MGL c. 26, s. 8E	\$831,869
State Rating Bureau Medical Malpractice	MGL c. 26, s. 8E	\$333,671
State Rating Bureau Workers Compensation	MGL c. 26, s. 8E	\$786,061
TOTAL		\$37,554,698

Total Revenue and Assessments collected by the Division of Insurance in Fiscal Year 2007:

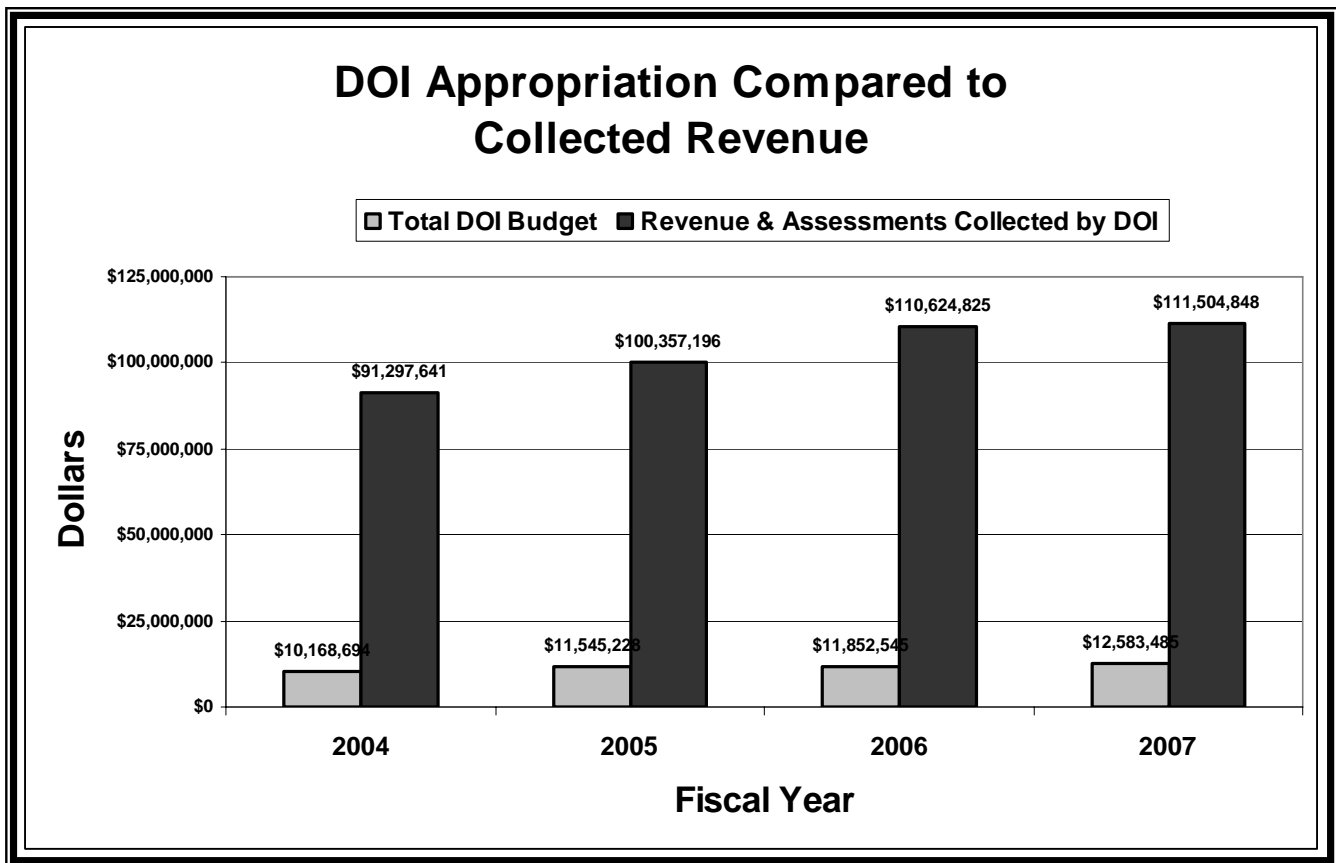
Revenue	\$73,950,150
Assessments	\$37,554,698
TOTAL	\$111,504,848

Taken together, these revenues and assessments are typically nine to ten times greater than the annual budget appropriation for the Division. In Fiscal Year 2007, the Division of Insurance collected a grand total of more than \$110 million.

Four Year Trends:

Budget, Revenue & Assessments

	2004	2005	2006	2007
Division of Insurance Budget	\$10,168,694	\$11,545,228	\$11,582,545	\$12,583,485
Revenue and Assessments	\$91,297,641	\$100,357,196	\$110,624,825	\$111,504,848



The Insurance Marketplace

Massachusetts Domestic

Hundreds of insurance companies are licensed to do business in the Commonwealth of Massachusetts. Each year, these companies write tens of billions of dollars in premium in Massachusetts. The Division of Insurance licenses each of these companies and regulates all aspects of their business conduct. For those companies chartered in Massachusetts, the Division is responsible for ensuring company solvency. Monitoring the solvency of Massachusetts domestics not only protects citizens of the Commonwealth, but policyholders across the nation and around the world. In 2007, Massachusetts was the domicile of:

- 56 property & casualty insurers
- 19 life, accident and health insurers
- 3 title insurance companies
- 9 health maintenance organizations
- 2 lodge fraternal organizations
- 3 medical service corporations
- 24 workers' compensation self-insured groups
- 2 residual market pools
- 64 fraternal benefit and mutual aid societies

These licensed insurers wrote a total of \$48.5 billion in direct premium worldwide during 2007.

Insurance Written in Massachusetts

According to a 2006 survey by the National Association of Insurance Commissioners (NAIC), Massachusetts ranks 10th among 55 U.S. states and territories with respect to premium written by domestic insurers.

2006 Premium Volume by State & Territory*

Rank		Total Premium Volume
1.	New York	\$125,601,281,658
2.	California	\$123,730,185,644
3.	Florida	\$104,356,004,403
4.	Texas	\$88,894,109,864
5.	Pennsylvania	\$75,340,790,223
6.	New Jersey	\$62,257,047,574
7.	Illinois	\$56,182,028,114
8.	Michigan	\$50,145,860,105
9.	Ohio	\$49,125,607,034
10.	Massachusetts	\$39,367,290,269

* Source – National Association of Insurance Commissioners

When one considers the population disparity between the Commonwealth and the other states in the top 10, Massachusetts shoulders a disproportionate share of the responsibility to regulate U.S. insurers. In fact, by most any measure of regulatory performance, the Massachusetts Division of Insurance does more with less. Compared to most other states, the Division represents a relative bargain for taxpayers, policyholders and insurers in the Commonwealth.

2006 Staffing and Budget Compared to Other States

	Number	Rank / 55
Premium Volume	\$39,367,290,269	10 th
Full Time Equivalent Employees	127	25 th
Annual Budget	\$13,426,704	27 th
Annual Budget as a Percentage Total Revenue	2.47%	53 rd
Annual Budget as a Percentage Total Premium	0.03%	54 th

** Source – National Association of Insurance Commissioners*

Company Market Share

Among the scores of insurance products marketed and sold in Massachusetts, certain lines of insurance represent the lion's share of premium and policies. Premium written under Accident and Health, Homeowner's, Life, Automobile and Worker's Compensation policies make up approximately 50% of all premium written in the Commonwealth. Across these different lines of insurance, the combined market share (measured by total premium volume) held by the top 10 companies illustrate the commercial diversity available to consumers within that particular market.

Portion of Market Held by Top 10 Companies - 2007

	Top 10 Companies Combined Market Share	All Other Companies Combined Market Share	Total Companie s in the Market
Accident and Health Insurance Companies	56.33%	43.67%	251
Homeowner's Insurance Companies	46.64%	53.36%	128
Life Insurance Companies	42.37%	57.63%	311
Private Passenger Automobile Insurance Companies	89.92%	10.08%	30
Property and Casualty Insurance Companies	40.07%	59.93%	459
Workers' Compensation Insurance Companies	46.33%	53.67%	209

Appendix B of this report contains the top 10 lists of companies by premium volume for each of these six lines of insurance. Appendix C contains lists of complete lists of company market share and direct written premium for twenty-six select lines of insurance.

Bernat Mill Fire - Uxbridge

The Division has an established track record of assisting communities directly when disasters strike. The Division's extensive community response to the 2006 Mother's Day flooding in northeast Massachusetts and the November, 2006, plant explosion in Danvers is described in the 2006 Annual Report. Instead of simply publicizing state services and expecting residents to figure out which agency to contact, the Massachusetts Emergency Management Agency (MEMA) typically sets up Disaster Response Centers in the affected communities. MEMA then coordinates with a range of state agencies to provide a "one-stop shopping" experience for residents in need of state assistance.

On July 21st, 2007, an eight-alarm fire consumed an old woolen mill in Uxbridge. The Bernat Mill, originally built in the 1820s, had been converted to more than 400,000 square feet of office space. More than 600 firefighters were needed to contain the blaze. In the end, 65 businesses employing over 300 workers suffered total losses.

Two days later, the Division mobilized a team of employees to go to Uxbridge and help residents with their insurance questions and complaints. MEMA set up a Disaster Response Center at the Whiten Middle School for five days following the fire. Business owners and employees affected by the fire could come into a single, local location and have access to nearly every state agency that could possibly be of assistance. Over the course of the week, Division employees met with several dozen people to assist them and answer questions. They explained the different elements of the claims process as well as the role of adjusters in the claims process.

Health Care Reform Outreach

By now, most people should know that every Massachusetts resident age 18 or over must have health insurance. Several passages of this Annual Report outline work by the Division to implement the requirements of Chapter 58 of the Acts of 2006. Contrary to public perception, responsibility for Health Care Reform was spread among several state agencies besides the Division of Insurance – particularly the Commonwealth Health Care Connector Authority and the Department of Revenue.

During the first half of 2007, the Division's Consumer Services Section fielded a considerable number of hotline calls from consumers with questions about the new law. Realizing that many consumers assumed that the Division of Insurance was the primary public resource on Health Care Reform, and that some important deadlines were approaching, the Division decided to create a communication strategy on the issue.

In formulating the message, the Division wanted to focus on two crucial deadlines. First, the July 1st, 2007, deadline for all residents over the age of 18 to obtain health insurance. The penalty for missing this deadline in the first year would be the loss of one's personal tax exemption. It is important that residents understood that waiting until tax time would be too late. The second critical deadline was the open enrollment period between May 1 and July 31, 2007. During this one-time enrollment window, residents purchasing any individual health insurance plan would not be subject to any waiting periods or pre-existing condition exclusions.

In addition to publicizing these two important dates, the Division also wanted a message that would reduce general consumer confusion surrounding Health Care Reform. To that end, it was important that the message complement the larger public information strategy of the Commonwealth Connector. Consumers looking for information on low cost plans needed to be directed to the Connector without feeling as if they were being forced to penetrate multiple layers of government bureaucracy.

Ultimately, the Division opted to create graphic emails aimed at certain targeted populations in order to promote awareness of the important enrollment deadlines. Division staff drafted versions of the email directed at students, senior citizens, insurance producers, employers and average residents. The Division contracted with ARGUS – a marketing firm specializing in diverse and multi-cultural communication strategies – to assist in development of the message and to handle the design and layout of the emails.

Once ARGUS completed the HTML design and layout, staff from the Division and the Office of Consumer Affairs and Business Regulation sent the following emails to pre-populated lists in our targeted populations:

- 45,886 licensed insurance producers (agents) received a version of the email targeting average residents and urging them to explain the new law to their customers
- 122 health directors at colleges and universities received a version of the email targeting students which could be forwarded directly to the university listserv
- 370 main public libraries received a version of the email targeting senior citizens which could be reproduced as a printed flyer or forwarded to a listserv
- 342 chambers of commerce received a version of the email targeting employers and urging them to communicate the important deadlines to their employees

Administration

Mission

The Administration Department is responsible for providing Division of Insurance employees with various operational and administrative services. We ensure that other departments have the necessary resources to carry out the regulatory mission of the agency.

The Administration Department's mission is to ensure:

- The availability of adequate funding to carry out the Division's mission
- The efficient, accurate and secure receipt of revenue associated with fees, fines and assessments
- Communication of - and compliance with - federal, state and collective bargaining labor requirements
- The availability of knowledgeable, motivated and trained human resources capable of carrying out the Division's mission
- The timely payment of all Division expenses
- The best value procurement of goods and services
- The safety and security of Division employees and property
- The comfort of Division employees

2007 Goals

- By July 1, 2007, the Administration Department will complete a Division-wide physical inventory of Division of Insurance assets and update the inventory records accordingly to ensure compliance with internal controls.

Completed Successfully

- Ensure compliance with Chapter 647 of the Acts of 1989, the Internal Control Act. The Administration Department will update the Division's Internal Control Plan for Fiscal Year 2008.

Completed Successfully

- The Administration Department will implement the fiscal and human resource requirements of the new Health Care Access Bureau, including the establishment of the assessment, collection of revenue, and establishment of FTE positions.

Completed Successfully

- The Administration Department will ensure that the Information Technology and Producer Licensing Projects - namely OLLIE and AgentFinder - are completed on time and on budget by September, 2007.

Completed Successfully

-
- Complete the billing of assessments according to timelines so as to ensure the collection of all open receivables before year end and compliance with state Comptroller guidelines and the Division's internal control plan.

Completed Successfully

- Collect all revenue in a timely and accurate manner and ensure compliance with state Comptroller guidelines and the Division's internal control plan.

Completed Successfully

- Complete all hiring and staffing requests in a timely manner so as to ensure available human resources to carry out the Division's mission.

Completed Successfully

Primary Activities

OLLIE - Online Licensing of Individuals and Entities



During most of 2007, several Division departments, including the Administration, were involved in the development of OLLIE - Online Licensing of Individuals and Entities. OLLIE is a state-of-the-art online insurance licensing system offering insurance producers the opportunity to renew their licenses online; as well as the ability to update their licensing profile with product and sales information. The first phase of OLLIE, which launched in September 2007, enables individual resident and non-resident insurance producers, to renew their insurance licenses and pay associated fees quickly and easily.

Along with other team members from both the Division and the consultant contractor, the Administration Department participated in three interrelated OLLIE projects. In the technical phase of the project, the Administration Department assisted in determining the functionality of the site. The Department also participated in the effort to find and contract with an internet service provider capable of offering secure, responsive support services to the Division's Information Technology staff. This was the first time that the Division hosted an application in such a venue. Finally, the Administration Department assisted with the marketing phase of the OLLIE project. This phase included branding the site, creating a logo and tagline and surveying of potential users on the site's usability.

AgentFinder

In anticipation of the automobile insurance market's transition to managed competition, the Division expanded its offerings of online consumer tools and services by developing and launching AgentFinder. AgentFinder is a web-based tool designed to make it easier for Massachusetts consumers to find insurance agents and insurance products. AgentFinder connects consumers to insurance professionals based on criteria provided by the user. AgentFinder allows consumers to generate a list of agents from a database of the state's 70,000 licensed insurance professionals based on the geographic, product and company specifications that he or she selects.

Impact of Online Services

OLLIE and AgentFinder offer a host of benefits to producers and consumers. The renewal process, formerly done by paper application, has now been greatly streamlined to reduce turnaround time. License renewals are now processed within 48 hours on the OLLIE system. The system is accessible 24/7 and frequent emails from the Division keep producers informed of their application status. Additionally, the online system reduces the potential for late penalty charges by promoting on-time renewals and payments. A highly secure e-payment process is offered at no additional cost to the producer. OLLIE is also eco-friendly and may reduce paperwork by as much as 240,000 pages annually.

The AgentFinder's search methods are flexible and easy to use. Consumers can perform a general agent search by entering their zip code and selecting between auto, homeowners, life or health insurance. They can also conduct a detailed agent search by entering the agent's name, business location, company affiliation or product line.

OLLIE and AgentFinder are fast, easy and secure systems designed to better serve the needs of consumers and producers alike - a primary element of the Division's mission. Meeting customer needs by offering quality, innovative online services like OLLIE and AgentFinder that run at the speed of business is an important goal for the Division.

Website Security Audit

The Division is committed to providing the highest possible security assurances to customers who use its new interactive web tools. Toward this end, the Division engaged the services of a security audit firm to perform several security audits on the OLLIE website and associated network configuration. The purpose was to ensure that the site is hacker-free and that data transmitted over the site and stored on the Division's network is safe from harmful attacks. A three-phase examination was conducted and results were communicated to the project team, which included the Administration Department.

Financial Surveillance and Company Licensing

The Financial Surveillance Section monitors the solvency of domestic and foreign (domiciled in another state) insurance companies. There are currently 1,439 insurance companies licensed or authorized to transact insurance business in the Commonwealth. Included in this number are life insurers, accident and health insurers, property & casualty insurers, health maintenance organizations, fraternal benefit societies, title insurers, risk retention groups, self-insurance groups, surplus lines insurers, reinsurers, home warranty contract providers and viatical settlement companies. Financial Surveillance also monitors transactions entered into by Massachusetts' domestic insurers.

The Company Licensing staff is responsible for the review and processing of all applications from insurers seeking to obtain or amend licenses to transact insurance business in the Commonwealth. During 2007, thirty-four insurers were newly licensed and twenty-four others received approval to amend their licenses to sell additional lines of insurance.

The Financial Surveillance and Company Licensing staff also processes license certifications, analyzes annual statement filings and manages other revenue collections. These activities collectively resulted in over \$600,000 in revenue during 2007.

Mission

The primary mission of the Financial Surveillance and Company Licensing Section is to monitor the financial solvency of insurers participating in the Massachusetts domestic insurance marketplace in order to provide a healthy and competitive insurance market.

2007 Goals

- Monitor the solvency of all insurance companies domiciled in Massachusetts. Complete the quarterly and annual analyses of all files within the deadlines established by the NAIC Interim Annual Review. Hold annual meetings with senior company management, Audit Committees, and Boards of Directors.

Completed Successfully

- Maintain accreditation by the National Association of Insurance Commissioners (NAIC). The NAIC Accreditation program provides a process whereby solvency regulation of multi-state insurance companies can be enhanced and adequately monitored with an emphasis on: adequate solvency laws and regulations in place to protect consumers as well as guarantee funds; effective and efficient financial analysis and examination processes; and, appropriate organizational and personnel practices.

Completed Successfully

- Process license applications - as well as license amendment applications - from insurance companies seeking to transact insurance business in the Commonwealth in order to provide for a solvent and competitive insurance market.

Completed Successfully

Primary Activities

As of December 31, 2007, there were 93 insurance companies domiciled in Massachusetts. A comprehensive desk audit of each of these companies was completed by an analyst and reviewed by a manager. These desk audits consist of over 20 detailed analyses that closely monitor the solvency of each company.

The department evaluated license and amended license applications for companies desiring to establish an insurance business or expand an existing business in Massachusetts in accordance with Massachusetts laws and regulations.

Special Activities

There were several new Massachusetts domestic insurers created and licensed during 2007.

- **Safety Property & Casualty Insurance Company**
Safety Property & Casualty was issued a Certificate of Authority on January 11, 2007.
- **Massachusetts Employers Insurance Company**
Massachusetts Employers Insurance was issued a Certificate of Authority on February 13, 2007.
- **SPARTA Insurance Company**
SPARTA was issued a Certificate of Authority effective August 9, 2007. American Employers' Insurance Company was acquired by SPARTA Insurance Holdings Inc.

There were several Massachusetts domestic insurers involved in significant transactions during 2007.

- **Peoples Service Insurance Company**
Peoples Service Insurance surrendered their Certificate of Authority effective May 30, 2007. All of their existing business was transferred via a reinsurance transaction to Concord General Mutual Insurance Company.
- **American Employers Insurance Company**
American Employers Insurance was acquired by SPARTA Insurance Holdings Inc. effective August 9, 2007. All of American Employers Insurance business was transferred via a reinsurance transaction to the OneBeacon Group.
- **Aetna Health, Inc.**
Aetna Health, Inc. (a MA HMO) merged into Aetna Health, Inc. (a PA HMO) effective December 31, 2007. All of their existing business was transferred via the merger to Aetna Health, Inc. (a PA HMO), the surviving company.

Four Year Trends: Company Licensing	2004	2005	2006	2007
Newly Licensed Insurers	27	42	62	34
Amended Licenses	14	26	19	24

Financial Examination

Mission

The mission of the Financial Examination Section is to monitor the solvency of Massachusetts domestic insurers in order to promote a financially healthy marketplace for consumers who purchase insurance products.

2007 Goals

- Conduct financial audits of domestic insurance companies in order to ensure that policyholders' and claimants' rights are protected and fulfilled, and that consumers of insurance can deal with financially solvent companies.

Completed Successfully

- Maintain NAIC Accreditation. Impose minimum qualitative standards in the regulation of insurance. Ensure that our domestic insurance companies operate and provide insurance coverage to policyholders and consumers with the least amount of regulatory oversight and involvement from the other U.S. jurisdictions, and thus with the least amount of cost to them. Accreditation provides an orderly regulatory process - states regulate their own domestic companies thereby protecting all policyholders of the companies.

Completed Successfully

- Conduct financial audits in compliance with the NAIC Financial Condition Examiners Handbook. Ensure that the timely and regular examination reviews are based on a substantive "risk based assessed" audit approach toward proper allocation of examination resources within the financial operations of our Domestic insurance companies.

Completed Successfully

- Foster an environment that will allow our domestic insurance companies to compete effectively with their peers throughout the country and the world. Monitor and review transactions such as: mutualizations, de-mutualizations; issuance of surplus contribution notes; issuance of capital; mergers and acquisitions; quasi re-organizations; additional reserving requirements; good corporate governance practices; and, prudent conservative accounting standards. This ongoing review serves to make the Division a responsive regulatory agency from the perspective of companies' financial condition.

Completed Successfully

Primary Activities

Statutory Examinations

In 2007, the Financial Examination Section completed routine statutory examinations of twenty-seven insurers, including:

- 5 life, accident and health insurers
- 14 property/casualty insurers
- 1 lodge fraternal organization
- 2 title insurance companies
- 5 health organizations

These companies produced \$3.8 billion in premium nationwide - \$3.1 billion in Massachusetts. The Department also continued its special purpose examinations of domestic managed care organizations to evaluate their premium rate setting processes.

One standard set forth by the NAIC Financial Regulation Standards & Accreditation (F) Committee is the “18 Month Rule.” This standard establishes a general rule that comprehensive financial examinations conducted by state insurance departments should be completed and reports issued within eighteen months of the “as of” date of the examination. Exceptions to this rule are permitted for reasonable justification and an extension of up to twenty-two months is permitted before the state is required to roll the “as of” date of a re-initiated exam forward one year.

The Financial Examination Section conducted twenty-seven full-scope financial examinations with an “as of” date of December 31, 2005. All of these examinations were completed by June 30, 2007 - within the “18 Month Rule” timeframe noted above.

Fifteen insurance examinations were in progress at year’s end, representing \$8.3 billion in premium nationwide - \$6.7 billion in Massachusetts.

Financial Transactions

The Financial Examination Section participates in a substantive review and approval process of financial transactions entered into by Massachusetts domestic insurers. In 2007, the section reviewed

- The UNUM securitization of its Individual Disability Insurance block of business and the accompanying extraordinary dividend request
- The valuation of First Allmerica Financial Life Insurance Company’s (FAFLIC) home office real estate including appropriate accounting thereof coupled with its dividend request
- The securitization of additional statutory reserves for Savings Bank Life Insurance under Actuarial Guideline XXX
- FAFLIC’s closed block changes regarding dividend reapportionment as a result of the company’s previous de-mutualization
- The proposed acquisition of a major Massachusetts domestic property and casualty company - Commerce Insurance Company - by a Spanish insurance conglomerate - MAPFRE S.A.

Throughout the year, weekly meetings of the senior Commissioner's staff are held with the Commissioner. Discussion topics included Massachusetts automobile insurance and the transition to managed competition, homeowners insurance and coastal property issues, catastrophe insurance costs, and health insurance initiatives.

Special Brokers Tax Collection

The Financial Examination Section collects state taxes on the Excess and Surplus Lines business written by special brokers licensed in Massachusetts. Collections in calendar year 2007 for business written in calendar year 2006 totaled \$27.5 million on written premium of \$687.5 million.

Life Company Certification and Valuation Fees Collection

At the end of each calendar year end, Division financial examiners are charged with compiling the actuarial valuations of insurance reserves of Massachusetts domiciled life insurance companies as described in the annual financial statements and the actuarial reserve exhibits. These valuations are reviewed in context with actuarial opinions provided by the company, including asset adequacy testing required on these reserves. The Division then issues a certification of the company's entire reserve liability as prescribed by state law. By Massachusetts statute, the companies are required to pay fees for the annual valuation process and the certificates issued. Valuation and certification fees for calendar year end 2006 billed in March, 2007 amounted to \$637,000.

Special Activities

NAIC Training

Division staff from the Financial Examination Section attended a comprehensive, three-day NAIC session - *Risk-Focused Financial Condition Examiners Handbook Training* – on September 11 – 13, 2007. The training concentrated on the NAIC's new Risk Focused Examination approach to the examination process to be effective January 1, 2010.

Professional Accomplishments

In 2007, two of the Section's managers achieved the high distinction of being awarded Certified Financial Examiner (CFE) and Accredited Financial Examiner (AFE) professional designations, respectively, from the Society of Financial Examiners (SOFE). The designations are granted by the Society of Financial Examiners to individuals who meet specified education and experience requirements, and who pass the rigorous series of examinations administered by SOFE. With these designations, all Financial Examination Section managers at the Division now hold professional designations awarded by SOFE and/or AICPA.

Four Year Trends: Financial Examinations

	2004	2005	2006	2007
Examinations Completed	30	21	25	27

**FINANCIAL EXAMINATIONS STATUS
AS OF DECEMBER 31, 2007**

Examinations In Progress In 2007	Type	Nationwide Direct Premium (\$000's)	Mass. Direct Premium (\$000's)	Surplus (000's)
American Employers Ins. Co. (One Beacon Group)	P/C	0	0	35,210
Boston Mutual Life Insurance Company	L	230,416	50,606	89,411
Blue Cross Blue Shield of MA, Inc. (BCBS)	H	2,098,280	2,098,280	628,188
Blue Cross Blue Shield of MA HMO Blue, Inc. (BCBS)	H	4,239,167	4,239,167	839,662
Coface North America Insurance Company	P/C	58,800	2,416	23,474
Electric Insurance Company	P/C	316,155	31,362	331,800
Employers Fire Insurance Co (One Beacon Group)	P/C	384,130	94,924	61,274
Great West Healthcare of Massachusetts, Inc.	H	0	0	1,558
Holyoke Mutual Insurance Co. in Salem	P/C	35,079	24,123	72,413
Massachusetts Vision Service Plan	H	11,615	11,615	9,797
Northern Assur Co of America (One Beacon Group)	P/C	236,516	10,196	191,951
MA Homeland Ins. Co. (One Beacon Group)	P/C	125,249	125,249	9,282
OneBeacon America Ins. Co. (One Beacon Group)	P/C	550,854	38,841	520,891
Liquor Liability Joint Underwriting Association	O	6,069	6,069	17,406
Massachusetts Medical Malpractice Reinsurance Plan	O	9,265	9,265	(22,709)
Total Examinations In Progress		\$8,301,595	\$6,742,113	\$2,809,608

Legend:

F = Fraternal

H = Health

L = Life, Accident and Health

PC = Property and Casualty

T = Title

O = Other

**FINANCIAL EXAMINATIONS STATUS
AS OF DECEMBER 31, 2007**

Examination Reports Issued In 2007	Exam Report Date	Type	Nationwide Direct Premium (\$000's)	Mass. Direct Premium (\$000's)	Surplus (000's)
Arbella Mutual Insurance Company (Arbella Group)	5/7/2007	P/C	\$475,637	\$475,637	\$345,133
Arbella Protection Insurance Company (Arbella Group)	5/7/2007	P/C	137,466	132,696	85,226
Arbella Indemnity Insurance Company (Arbella Group)	5/7/2007	P/C	4,369	4,369	15,867
Barnstable County Mutual Ins. Co. (Barnstable Group)	6/5/2007	P/C	18,875	18,875	48,137
Barnstable County Insurance Co. (Barnstable Group)	6/5/2007	P/C	2,799	2,799	12,447
Berkshire Life Insurance Company	6/22/2007	L	150,917	6,778	296,063
Centre Life Insurance Company	6/12/2007	L	42,280	1,889	66,897
CIGNA HealthCare of MA, Inc.	4/25/2007	H	38,204	38,204	22,932
Coface North America Insurance Company	6/11/2007	P/C	39,543	2,236	17,420
ConnectiCare of MA, Inc.	6/11/2007	H	28,971	28,971	5,439
Commonwealth Mutual Insurance Company (Arbella Group)	5/7/2007	P/C	6,660	6,660	5,699
Commonwealth Reinsurance Company (Arbella Group)	5/7/2007	P/C	0	0	12,570
Eastern Casualty Insurance Company	6/5/2007	P/C	0	0	25,338
Atlantic Charter Insurance Company (Atlantic Charter Group)	3/13/2007	P/C	30,546	30,546	57,675
Endeavour Insurance Company (Atlantic Charter Group)	3/13/2007	P/C	10,752	10,752	4,197
Independence Casualty Insurance Co. (Atlantic Charter Group)	3/13/2007	P/C	5,749	5,749	3,204
Health New England, Inc.	6/13/2007	H	229,119	229,119	24,695
Mass. Title Insurance Co.	5/25/2007	T	1	1	1,669
Neighborhood Health Plan, Inc.	2/13/2007	H	441,172	441,172	69,824
Paul Revere Life Insurance Company (Paul Revere Group)	6/20/2007	L	502,955	17,441	1,138,139
Paul Revere Variable Life Ins. Co. (Paul Revere Group)	6/20/2007	L	26,713	641	114,868
New England Title Insurance Company	5/15/2007	T	0	0	246
Peoples Service Insurance Company	6/12/2007	P/C	0	0	5,168
The Premier Insurance Company of Massachusetts	6/15/2007	P/C	323,593	323,593	272,235
Supreme Council of the Royal Arcanum	5/25/2007	F	3,310	56	13,353
Tufts Associated HMO, Inc. (Tufts Group)	11/28/2006	H	1,283,862	1,283,862	404,403
Tufts Insurance Company (Tufts Group)	11/28/2006	L	44,008	44,008	15,590
Total Examinations Completed			\$3,847,501	\$3,106,054	\$3,084,434

Legend:

F = Fraternal

H = Health

L = Life, Accident and Health

PC = Property and Casualty

T = Title

O = Other

Market Conduct

Mission

The primary mission of the Market Conduct Section is to ensure compliance with: market conduct related laws; regulations and bulletins for the benefit of insurance consumers and policyholders; and, best practices of controls and governance of insuring organizations - principally Massachusetts domestics. Such efforts help promote solvency and a financially healthy marketplace.

2007 Goals

- Maintain a market conduct examination program in accordance with guidelines of the Division and the NAIC. This program must ensure that domestic insurers - and foreign insurers, as appropriate - are in compliance with Massachusetts insurance laws, regulations and bulletins. Conduct a sufficiently planned, timely administered and substantive market conduct examination of these insurers with qualified and trained professionals.

Completed Successfully

- Monitor insurers and industry trends. Analyze the impact on consumers and the insurance marketplace of those trends and determine whether regulatory intervention or oversight is appropriate.

Completed Successfully

- Monitor the progress of multi-state regulatory settlement agreements in which the Massachusetts Division of Insurance is a lead state negotiator.

Completed Successfully

- Determine whether multi-state regulatory settlement agreements negotiated by other states are fair to Massachusetts consumers.

Completed Successfully

Primary Activities

Examinations and Reviews

In 2007, the Market Conduct Section completed nine market conduct examinations which examined:

- Company operations and management
- Timely and fair complaint handling
- Marketing and sales practices
- Appointment and licensing of producers
- Underwriting and rating guidelines and practices
- Claims handling and settlement practices

Market Conduct examinations may be either comprehensive or limited-scope.

2007 Comprehensive Examinations:

- Berkshire Life Insurance Company
- Dorchester Mutual Insurance Company (N & D Group)
- Fitchburg Mutual Insurance Company (N & D Group)
- Liberty Life Assurance Company of Boston (Liberty Group)
- Liberty Mutual Fire Insurance Company (Liberty Group)
- Liberty Mutual Insurance Company (Liberty Group)
- Norfolk and Dedham Mutual Fire Insurance Company (N & D Group)
- Premier Insurance Company of Massachusetts

2007 Limited Scope Examinations:

- Arbella Mutual Insurance Company (SDIP)

Fifteen comprehensive examinations and Twenty-three limited scope examinations of domestic insurers were in progress as of the end of 2007.

In 2007, the Market Conduct Section completed 57 market analysis reviews on 34 domestic companies across seven lines of business. Market analysis reviews consist of assessing data from a variety of sources, such as the NAIC complaint database, the NAIC regulatory information retrieval system, the NAIC market initiative tracking system, and company financial statements, among other sources. They provide an early warning mechanism used to identify non-compliance with insurance laws and regulations, and negative financial trends which may impact future claims payments.

Settlement Monitoring

As a result of previous market conduct examinations conducted by the section, the Market Conduct Section monitored various regulatory settlement agreements throughout 2007.

- **UNUM Group**
The UNUM settlement concerned improper claims handling (i.e. denials or termination of payments) with respect to group and individual disability income policies. Thus far, approximately \$670,300,000 has been paid to claimants, or placed in reserve for future payments on a national basis. Approximately \$13,400,000 has been paid or placed in reserve for future payments to Massachusetts claimants.
- **Boston Mutual Life Insurance Company**
The Boston Mutual settlement covered improper life insurance sales to military personnel – primarily the failure to conduct a needs assessment before sale. Approximately \$435,000 is to be refunded to military personnel on a national basis, including \$1,500 to military personnel from Massachusetts.
- **HealthMarkets, Inc.**
The HealthMarkets settlement involved the improper claims handling practices of health insurers under plan certification and riders – primarily the failure to pay benefits fairly and equitably. Thus far, approximately \$105,000 has been paid to Massachusetts claimants.

In 2007, the Market Conduct Section participated in two multi-state settlements of foreign insurers. Foreign insurers are those companies domiciled outside of Massachusetts. These settlements included approximately \$200,000 in fines payable to the Commonwealth and restitution to policyholders.

Company Reports

In 2007, the Market Conduct Section reviewed violations reported by the companies themselves, which resulted in relief of approximately \$700,000 to Massachusetts consumers.

Additional Reviews

The Market Conduct Section regulates 228 risk purchasing groups by registering new groups and renewing the registration of existing groups. In 2007, approximately \$32,000 in fees was collected from the risk purchasing groups. In addition the section reviews and analyzes the financial statements of 25 workers' compensation self-insured groups in order to ensure the solvency of each group.

Three Year Trends: Market Conduct	2004	2005	2006	2007
Comprehensive Examinations Completed	3	8	5	8
Limited Scope Examinations Completed	24	27	5	1
Market Analysis Reviews	40	45	46	57

Producer Licensing

The Producer Licensing Department is responsible for the licensing of all individual and business entities in the business of insurance. The Department collects fees for the licensing of all individuals and business entities, as well as the appointments of producers by insurance companies. In addition, the Department is responsible for the collection of lead paint surcharges for the Department of Public Health. The Department also issues and collects fees for Certification Letters, Clearance Letters, and duplicate or replacement licenses. Producer Licensing is responsible for the processing of all new license applications and renewal applications associated with the following license types:

- Producers
- Advisers
- Auto Clubs & Auto Club Agents
- Bank Insurance Licenses
- Public Insurance Adjusters
- Reinsurance Intermediaries (both brokers and managers)
- Surplus Lines Brokers
- Viatical Settlement or Loan Brokers
- Viatical Representatives
- Motor Vehicle Damage Appraisers

Mission

- Ensure that individuals and firms conducting the business of insurance in Massachusetts are qualified and that they conduct business within the requirements of the laws and regulations of the Commonwealth
- Monitor the proper testing, implementation and enhancements of the new online licensing procedures for accuracy
- Process all licensing applications in a timely and accurate manner
- Respond to all licensing inquiries in a timely and accurate manner. Provide excellent customer service to our licensees
- Properly train staff members to carry out the missions of the Producer Licensing Department and the Division of Insurance

2007 Goals

- Ensure the successful completion of the Producer Licensing online project - OLLIE. This goal includes writing business rules for the new system.

Completed Successfully

- Serve as project manager for selecting and working with a marketing vendor to create a logo, branding of website, taglines and marketing components for OLLIE.

Completed Successfully

-
- Ensure that the Online Producer Appointment (OPRA) renewal website is operational by mid-November, with insurers renewing within 45 days.

Completed Successfully

- Cross-train Department staff members on licensing procedures for 90% of all license types.

Completed Successfully

- Train Department staff members on all aspects of OLLIE.

Completed Successfully

- Select and interview applicants for open position on staff.

Completed Successfully

Primary Activities

NAIC Uniform Renewal Applications

The Producer Licensing Department, in conjunction with the Division's Information Technology Department and the NAIC, implemented the NAIC's Uniform Renewal Applications for all Producers. This shift involved the development of new processes on the CLARIS licensing system and the testing of that system. The Division's website was modified to indicate the use of renewal applications for all renewing producers, as well as the posting of the uniform application. The National Insurance Producer Registry (NIPR) state instructional page for Massachusetts was revised to indicate the current use of the NAIC's uniform renewal application. The department promoted use of the uniform renewal applications through collaboration with various industry associations. By implementing the usage of the uniform renewal applications, the Department has shortened the processing time of applications and has issued renewal licenses in a timely manner. This increase in efficiency better serves the needs of producers and consumers alike.

Online Licensing of Individuals and Entities - OLLIE

For most of 2007, the Producer Licensing Department participated in the Phase I development of the OLLIE website. OLLIE is an online insurance licensing system that offers individual insurance producers the opportunity to renew their licenses and update their licensing profiles.

OLLIE's development and implementation was a collaboration between Producer Licensing, Information Technology, Administration, Special Investigations, and the Office of the General Counsel. These Division departments worked together with the consultant contractor and his team. In the technical phase of the OLLIE project, the Department assisted in determining the functionality of the website. The Department also assisted with writing the business rules, testing the website, and marketing the OLLIE project.

The Department held a usability testing session with the marketing vendor and invited individual licensees to the Division to view, test and provide comments and feedback on OLLIE. An exit survey was developed and then completed by the testers. The results of the usability tests were overwhelmingly positive. Participants completed an exit survey designed for the session.

The renewal process, formerly done by paper applications only, is now greatly streamlined with reduced turnaround time. Paper renewal applications are still permitted and used by those who do not wish to renew online. OLLIE license renewals can now be processed within 48 hours. The system is accessible 24/7 and frequent email communications from the Division keep producers informed of their application status. The Department issues OLLIE PIN letters to all licensees who request such letters. PIN letters allow licensees to update their profiles prior to their renewal date. The Department is responsible for responding to all inquiries that arrive in the newly implemented OLLIE Help Mailbox. The OLLIE Help Mailbox is assigned to one staff member weekly on a rotating basis.

AgentFinder

AgentFinder is a web-based tool allowing users to search a database containing all producer profiles. The site connects consumers to insurance producers based on criteria provided by the consumer. The interactive tool gives consumers the ability to locate agents based on geography, products or company. The Department received and responded to all inquiries related to AgentFinder.

OLLIE and AgentFinder are fast, easy and secure systems designed to better serve the needs of consumers and producers alike.

Four Year Trends: Producer Licensing	2004	2005	2006	2007
Producer Licensees (Individual & Business)	68,147	70,068	78,642	80,238
Motor Vehicle Damage Appraisers	5,468	5,400	5,247	4,948
Surplus Lines Brokers	853	1,122	1,326	1,336
Public Insurance Adjusters	221	203	220	200
Insurance Advisors	694	645	637	571
Viatical Settlement or Loan Brokers	7	17	30	34
Reinsurance Intermediaries	52	105	109	112
Auto Clubs	*	28	28	28
Auto Club Agents	*	665	727	610

* Data unavailable

State Rating Bureau

Mission

The State Rating Bureau, including staff in its two major subdivisions - the Policy Form Review Section and the Bureau of Managed Care\Health Care Access Bureau - reviews policies, forms, and rates filed by or on behalf of insurance companies to ensure that insurance coverage and rating practices are fair to consumers. The State Rating Bureau communicates with the insurance industry regarding rating and coverage concerns, conducts independent research, and provides technical advice to the Commissioner in support of the Division's regulatory responsibilities.

2007 Goals

- Evaluate and recommend alternatives to improve the market for private passenger auto insurance, including a return to competitive rating and reform of the residual market coordinated by the Commonwealth Automobile Reinsurers.

Completed Successfully

- Coordinate the Division's efforts to implement health insurance reform as identified in Chapter 58 of the Acts of 2006 and related statutes.

Completed Successfully

- Regulate insurance policy forms, rates and programs and take steps to revise regulatory processes to promote more efficient and effective business practices and communications with consumers, including efforts to reduce the average review time for completing policy, form and rate filings to 60 days

Completed Successfully

Primary Activities

Private Passenger Automobile

Following a review of the Automobile Insurance Study Group and a public hearing on the status of competitive forces in the market for private passenger automobile insurance, on July 17, 2007, the Commissioner of Insurance found that market conditions supported a move to competitive rating. The customary fix-and-establish ratemaking process was changed for rates that are effective beginning April 1, 2008. Each insurer is to submit independent rate filings, as well as a rate filing for private passenger auto insurance policies issued through the residual market and an advisory filing for companies with less than 1% of the market share and these filings are subject to review

Following public hearings, the Commissioner also decided to make changes to the residual market for private passenger automobile insurance in order to move to an assigned risk system. The Commissioner decided to coordinate the assigned risk system through the Commonwealth Automobile Reinsurers. The changeover will be implemented through a three-year transition beginning April 1, 2008.

The State Rating Bureau worked closely with the Legal Division on numerous aspects of the transition to managed competition. Bureau staff and Division attorneys examined all alternatives for reforming the private passenger automobile insurance market and advised the Commissioner on the costs and benefits of each option. These key personnel provided technical advice on the features of the decisions. The Division held informational meetings with insurers, consumer groups and other parties to develop the transition rules, bulletins and policy form filing instructions to allow the market to change with the minimum amount of disruption. By the end of 2007, the Bureau had coordinated the review of the first competitive rate and forms for the 20 companies offering rates effective April 1, 2008.

In addition to the changes associated with private passenger automobile reforms, the State Rating Bureau approved 2,423 private passenger auto insurance group marketing plans under M.G.L. c. 175, section 193R for use as of April 1, 2007, to enable choice in the market prior to the implementation of the reforms. These group marketing plans are available to over six million eligible members; however, drivers can belong to multiple groups.

Workers' Compensation

State Rating Bureau staff developed an agreement to settle the biannual rate filing made by the Workers' Compensation Rating and Inspection Bureau (WCRIB), resulting in an overall average reduction of 16.9% in workers' compensation rates. Subsequent to that significant decrease, Bureau staff approved over 60 downward rate deviations and/or scheduled credit programs filed by individual companies that further reduced many companies' effective rates. Bureau staff also coordinated work with the WCRIB to modify its statistical plan and monitor the work of auditing firms which are now used to help verify individual company data reporting methodologies. This modification should further improve the quality of data submitted by companies and ensure that the information used in workers' compensation rate proceedings is comprehensive and accurate.

Homeowners Insurance

Bureau staff completed the Commissioner's annual report examining the state of the Massachusetts homeowner's insurance market. This report is statutorily required by Chapter 93 of the Acts of 1996. An electronic copy can be found on the Division's website – www.mass.gov\doi. The Bureau reviewed and approved 1,240 homeowner insurance group marketing plans. These plans are available to almost three million eligible members.

Bureau staff also reviewed and participated in hearings associated with of the proposed rates submitted by the Massachusetts Property Insurance Underwriting Association (MPIUA). MPIUA – more commonly known as the "FAIR Plan" – is the insurer of last resort for the Massachusetts market. These rate proceedings continued beyond 2007, into 2008.

Special Activities

In addition to the reforms described above for the Private Passenger Motor Vehicle and Health Insurance markets, and the rate hearings associated with the FAIR Plan and Worker's Compensation filings, the Division conducted a special examination to investigate claims settlements associated with the November 22, 2006, Danvers chemical plant explosions. This examination identified that insurance companies processed 531 claims and paid out a total of \$14,346,778 to policyholders.

Four Year Trends: State Rating Bureau	2004	2005	2006	2007
Group Marketing Plans – Auto	1,880	1,980	2,257	2,423
Group Marketing Plans - Homeowner's	931	1,014	1,148	1,240
Rate Deviations - Workers' Compensation	53	60	61	60

Bureau of Managed Care\Health Care Access Bureau

During 2007, the Bureau of Managed Care\Health Care Access Bureau (BMC) coordinated the Division of Insurance's efforts to implement reforms created under Chapter 58 of the Acts of 2006. The BMC worked actively with other state agencies - including the Commonwealth Connector and the Executive Office of Health and Human Services - to develop guidelines to inform consumers and insurance carriers about the marketing of new products. BMC staff represented the Commissioner in work groups, including the Governing Committee for the Connector and the Health Care Quality and Cost Council.

The Division issued regulations and bulletins associated with:

- The merger of the nongroup and small group markets
- Products for young adults between 19 and 26
- Expanded coverage for family dependents
- The nondiscriminatory offer of insured health plans to full-time Massachusetts resident employees
- Disclosure requirements related to minimum creditable coverage

In addition, the Bureau of Managed Care and the State Rating Bureau coordinated the administrative steps necessary to staff the statutorily created Health Care Access Bureau, and the phase-out of the existing Small Group Health Reinsurance Plan and the Nongroup Health Reinsurance Plan. The BMC also managed the development of new consumer materials to explain health reform in the overall market.

In addition to the work associated with health reform, the BMC staff completed the review of 906 filings representing material changes to the accreditation of managed care plans in accordance with M.G.L. c. 176O. The BMC also coordinated the initial accreditation review of three companies in accordance with the managed care requirements of M.G.L. c. 176O. Two of the reviewed entities offer Commonwealth Care plans through the Commonwealth Health Care Connector Authority.

Four Year Trends: Bureau of Managed Care	2004	2005	2006	2007
Managed Care Plan Changes	*	652	669	906

* Data unavailable

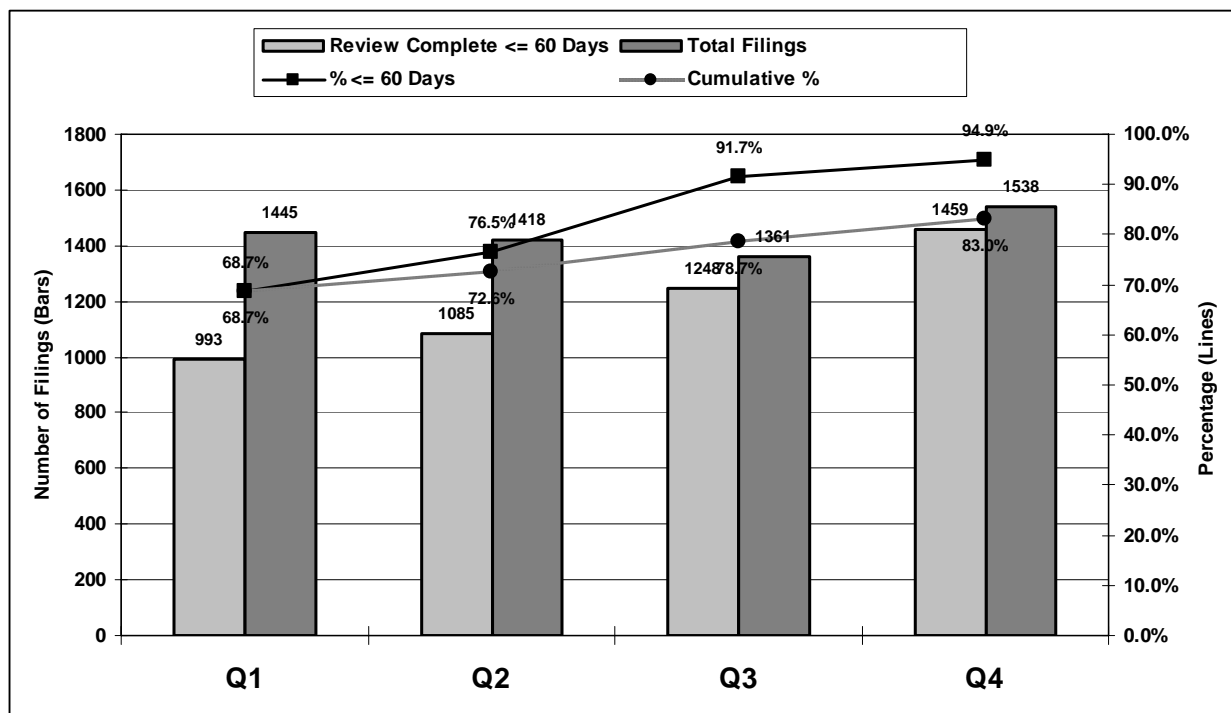
Policy Form Review

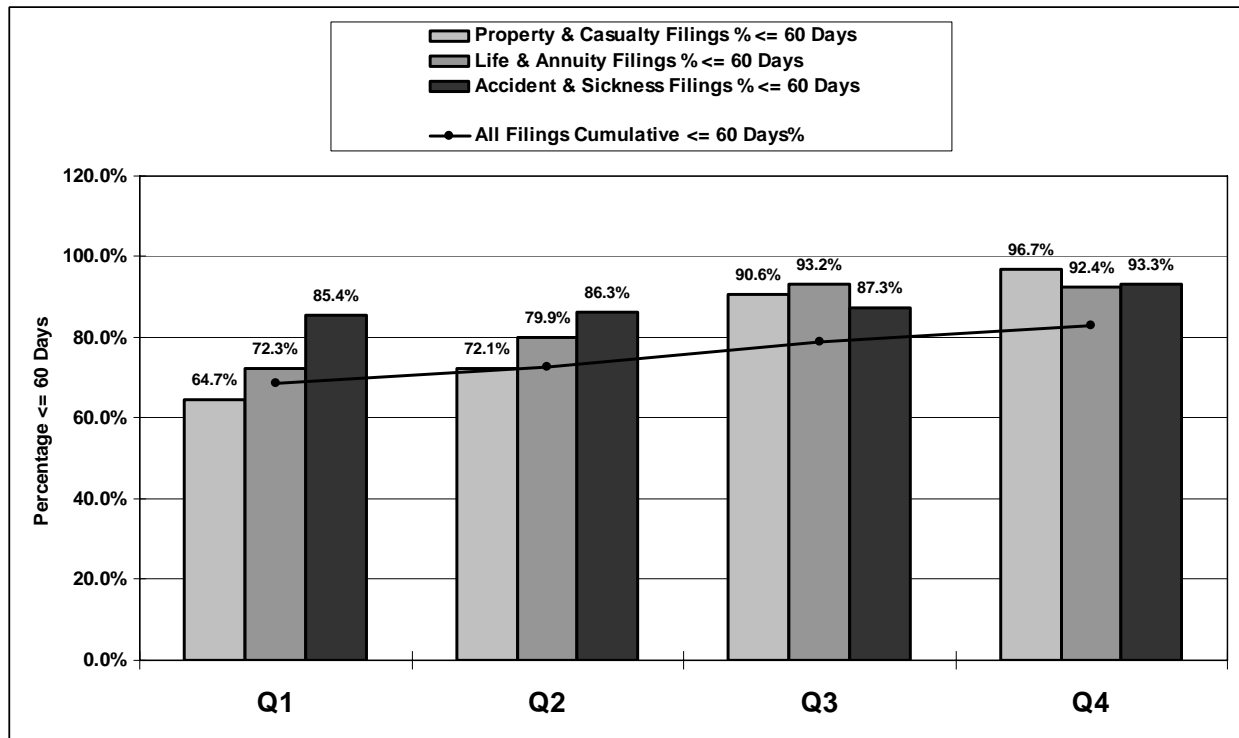
The Policy Form Review Section is responsible for reviewing property & casualty, life & annuity, and accident & sickness filings as submitted to ensure that company filings are compliant with Massachusetts laws. The focus of these reviews is on consumer protection, adequate reserving for claims, and justification of rates. During 2007, the Policy Form Review Section received 5,762 policy, form, and rate filings for review.

Due to staff turnover, the Policy Form Review section was not performing optimally in the beginning of 2007. The unit completed 68.7% of all first quarter reviews within the 60-day timeframe specified in Massachusetts law. Policy Form Review staff devoted substantial time, energy and resources to re-engineer existing processes, coordinate workflows and streamline reviews. By year-end, productivity had improved across all the lines of coverage so that 83% of the total 2007 filings had been reviewed within the 60-day timeframe.

It is anticipated that the changes implemented in 2007 will lead to further improvement within the 2008 calendar year with the goal that 90% of all filings are reviewed within 60 days.

2007 Policy Form Review Rate and Form Filings – All Lines





Four Year Trends: Policy Form Review	2004	2005	2006	2007
Rate Filings	1,453	1,386	1,508	1,691
Life Rates	44	44	30	34
Health Rates	125	100	135	192
Property & Casualty Rates	1,284	1,242	1,343	1,465
Form Filings	4,027	4,011	4,603	4,326
Life Forms	2,216	2,242	2,531	2,231
Health Forms	328	293	326	374
Property & Casualty Forms	1,483	1,476	1,746	1,721

Consumer Service

Mission

The Consumer Services Section (CSS) responds to inquiries and assists consumers in resolving insurance complaints against insurers, producers and other licensees. In addition to providing consumers with general insurance information in the form of brochures and guides, the Section also advises consumers of their options and rights under their policies, state laws and insurance regulations.

2007 Goals

- Create a CSS Procedures Manual to be utilized as a training tool for new hires and as a reference guide for existing staff.

Completed Successfully

- Implement a new case filing system for the section to assure all CSS files are properly accounted for and to comply with the Division's public records policy protocols.

Completed Successfully

- Implement an in-house training program for CSS examiners to provide continuing education on various insurance topics such as auto, health and homeowner's insurance products. Training should also include topics such as customer service, writing, comprehension and organizational skills.

Completed Successfully

- Create an administrative flowchart in order to process and track correspondence complaint data to and from examiners and the CSS database.

Completed Successfully

- Hire and train new staff to replace four examiners that left the Division in 2007. Work loads and all outstanding cases left by the existing employees to be reassigned to the remaining examiners. Close outstanding cases from departed examiners.

Initial Phase Completed – two examiners hired; 80% of outstanding cases have been resolved.

Primary Activities

Consumer Calls

Insurance consumers receive personal assistance from the Division's Consumer Services staff by calling the Consumer Service hotline Monday through Friday 8:45 to 5:00. All calls are logged into a call database. The database allows the Division to gather a range of sortable data on each call. Consumer Services runs a variety of reports based on this data in order to show trends within the consumer calls to the hotline. Some of these trends are shown in the charts at the end of this section.

Examiners answer questions regarding most lines of insurance and offer information about companies and producers such as the status of licenses and complaint data. Consumer Services staff refer callers to the materials on the consumer section of the Division's website in order to provide deeper background on the question or complaint.

In addition to informational requests, approximately one in ten calls to the hotline is a consumer complaint. Examiners are often able to resolve such complaints over the phone with a simple verbal explanation of the relevant insurance law or contract provision. In other cases, staff from the Section recommend that the caller file a formal written complaint to the Division.

Consumer Complaints

Any consumer of an insurance product marketed or sold in Massachusetts may file a consumer complaint with the Consumer Services Section against an insurer or insurance producer. Written complaints are entered into our database and then forwarded to the company or producer for response. Licensees must reply to the Division within 14 days with a complete reply responding to all of the issues raised in the consumer complaint. Section examiners review the complaint and licensee reply and advocate for the rights of consumers where appropriate. Closed complaints are coded in the complaint database.

The complaint database provides for both proper case management and the reporting of complaint data. In order to protect the insurance public and accomplish the Division's mission of forecasting trends regarding the insurance industry, the Section generates monthly reports from the complaint database. These reports allow the Division to look for patterns of unfair or deceptive practices by producers, insurance companies, or other licensees. When appropriate, information may be referred either to the Special Investigations Unit or Market Conduct Section for further action. "Slow pay" patterns and other questionable industry trends are brought to the attention of the Division's Financial Surveillance staff, as these may be early indicators of liquidity or solvency problems.

In 2007, CSS staff resolved 1,815 written complaints and recovered \$781,507 for consumers.

Special Activities

Section staff participated throughout 2007 in internal and external training on insurance handling techniques as called for in our strategic plan. CSS management took part in the agency's mission to enhance internal and external communications through the internal Communications Working Group. This group's mission was to create, enhance and improve the ways in which the Division communicates departmental news, ideas and pertinent information both within the Division and with our consumers, licensees and stakeholders. The Group's efforts on external communications run parallel to the Section's efforts to educate and advocate for consumers.

2007 Consumer Complaint Activity

Month	Total Contacts	Phone	Cases	Internet	Recoveries
January	2,568	2,338	178	1	\$10,465
February	2,144	1,948	163	1	\$52,250
March	2,501	2,279	176	2	\$13,988
April	2,205	1,967	189	1	\$41,498
May	2,352	2,120	177	2	\$179,630
June	2,196	1,979	154	4	\$267,349
July	2,139	1,941	138	9	\$11,385
August	2,166	1,931	159	7	\$457
September	1,744	1,537	133	3	\$66,637
October	2,021	1,831	143	1	\$81,414
November	1,906	1,756	110	0	\$44,641
December	1,552	1,412	95	0	\$11,793
TOTALS	25,494	23,039	1,815	31	\$781,507

Contacts: All phone calls, letters and other communication with consumers received by Consumer Service.

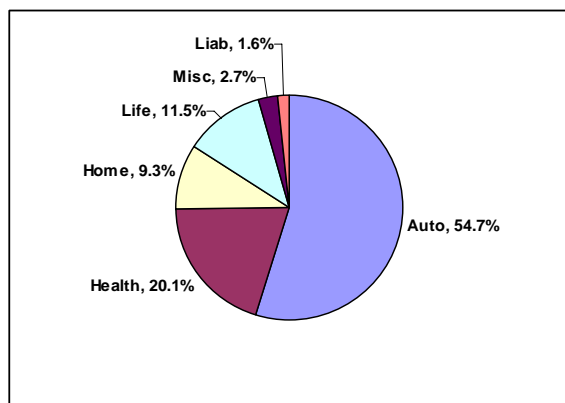
Phone: All phone calls received by Consumer Service.

Cases: All consumer issues that are actively pursued by Consumer Service.

Internet: Cases and inquiries received via the internet.

Recovery: Total amount of money received by consumers who have requested intervention.

Consumer Complaints by Line of Insurance

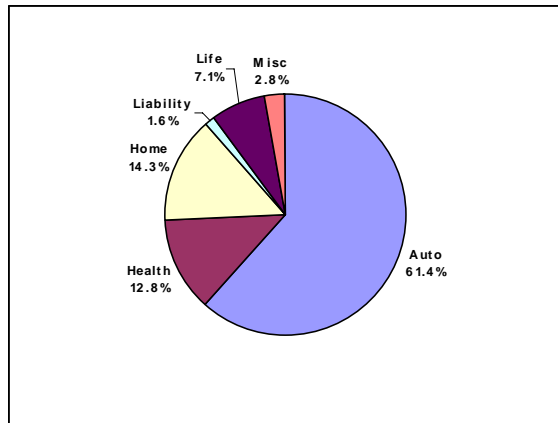


Consumer Complaints – Top 10 Reasons

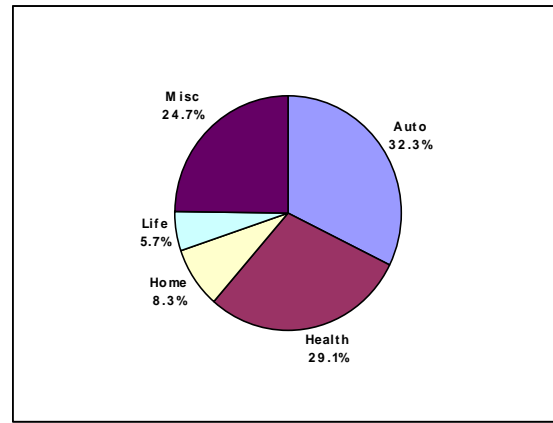
Underwriting	19.4%
Denial of Claim	16.8%
Delays	12.2%
Unsatisfactory Offer	9.9%
Other Claims Handling	7.0%
Cancellation & Nonrenewal	6.7%
Premium & Rating	4.1%
Information Requested	3.7%
Agent Handling	2.4%
Other Policy Holder	2.4%
All Other Reasons	15.3%

2007 Calls to Division of Insurance Consumer Hotline

Consumer Complaint Calls by Line of Insurance



Consumer Informational Calls by Line of Insurance



2007 Consumer Informational Calls – Top 5 Reasons by Line of Insurance

Automobile Insurance

- Claim Settlement Timeframe
- Cancellation
- Safe Driver Insurance Plan (SDIP)
- Premium/Rating
- Arbitration

Health Insurance

- Continuation of Coverage
- Mandated Benefits
- Mini-Cobra
- Co-Payments
- Claim Settlement Timeframe

Homeowner's Insurance

- Claim Settlement Timeframe
- Non-Renewal
- Cancellation
- Credit History / Credit Reports
- Deductible

Life Insurance

- Interest Paid
- Claim Settlement Timeframe
- License Status
- Cancellation
- # of Complaints Against Company

Four Year Trends: Consumer Services

	2004	2005	2006	2007
Total Contacts	34,459	33,143	29,333	25,494
Cases	2,078	2,044	1,873	1,815
Recoveries	\$1,752,334	\$292,747	\$266,468	\$781,507

Online Consumer Publications

As part of their mission to provide insurance consumers with accurate and useful informational materials, the Division creates, updates and publishes a range of insurance materials in print and online. Staff from the Consumer Services Section, the State Rating Bureau and the Legal Division collaborate throughout the year to identify topics for new publications. These materials must find a way to explain relatively complex insurance topics in a manner easily understood by the average consumer.

Every publication created and maintained by the Division is also posted on our website. Below is a list of consumer publications and web pages available as of December 31, 2007.

Automobile Insurance

- It Pays To Shop Around (Consumer FAQ)
- Consumer Rights
- Ways to Save on Your Auto Insurance 2008
- FAQ on Auto Insurance
- Automobile Group Marketing Plans (Group Discounts)
- Safe Driver Insurance Plan (SDIP) - How SDIP Works, Appealing Surcharges, Hearing Locations and More
- How to Appeal Your Driver's License Revocation
- How to Appeal an Auto Insurance Cancellation

Homeowner's Insurance

- Commissioners Report on Homeowner's Insurance
- National Flood Insurance Program
- FAQ on Homeowner's Insurance
- Homeowner Group Marketing Plans 2008 (Group Discounts)
- Homeowners Warranty Contracts
- MAHA Homesafe Program & Discounts
- A Massachusetts Guide to Insurance for Your Home and Ways to Help Reduce Your Insurance Premiums
- A Massachusetts Guide to Understanding the Insurance Policy Covering Your Home
FAQ on Flooding and Insurance

Health Insurance

- Health Care Reform Tips and Resources
- Consumer Guide to Health Care Coverage
- Consumer Guide to Individual and Small Groups
- Employer FAQ on Non-discrimination and Equal Contribution Requirements
- Long Term Care Guide
- Mandatory Benefits Guide
- Medigap/HMO Guide Effective
- MiniCobra Continuation of Coverage Benefits Guide

Life Insurance

- Buying Life Insurance and Annuities in Massachusetts

Workers Compensation Insurance

- Workers Compensation FAQ for Employees
- Workers Compensation FAQ for Employers

Miscellaneous Insurance Guides

- Renter's Insurance
- Boat Insurance
- Recreational Vehicle Insurance
- Travel Insurance
- Wedding Insurance

Board of Appeal on Motor Vehicle Liability Policies & Bonds

Mission

The mission of the Board of Appeal is to conduct hearings for consumers appealing:

- The assessment of a surcharge for an at-fault motor vehicle accident
- A decision of the Registry of Motor Vehicles regarding a license suspension, revocation or denial
- An insurance cancellation issued to a consumer by their insurance company

2007 Goals

- Reduce backlog of pending appeals from over 40,000 to less than 20,000. A waiting period of no more than 6 months is considered an acceptable length of time between surcharge and hearing date.

Completed Successfully – As of December 31, 2007 there were approximately 20,000 appeals pending.

Primary Activities

All of the Board's hearings are conducted under the guidelines of M.G.L. c. 30A, although the Board has also promulgated its own Practice and Procedure regulations for surcharge appeals (211 C.M.R. 88.00). The Board's authority was established by M.G.L. c. 26 § 8A. This statutory charge gives the Board jurisdiction over appeals of motor vehicle accident surcharges issued in accordance with the Massachusetts Safe Driver Insurance Plan (SDIP), decisions of the Registrar of Motor Vehicles and automobile insurance cancellations.

In 2007, the Board's hearing officers conducted 49,080 surcharge appeal hearings, 4,801 Registrar appeal hearings and 211 Auto Insurance Cancellation hearings. Surcharge appeal cases are heard in the order they are received.

In addition to conducting hearings, the Board responds to consumer inquiries and researches legal issues, proposes new legislation and works with the Office of the Attorney General to defend the Board's decisions in Superior Court.

The Board's authority is based on M.G.L. c. 26 § 8A. The statute gives the Board jurisdiction over appeals of motor vehicle accident surcharges issued in accordance with the SDIP, decisions of the Registrar of Motor Vehicles and automobile insurance cancellations.

Special Activities

Melanie's Law

Melanie's Law - Chapter 122 of the Acts of 2005 - passed on October 28, 2005. The act amended several sections of M.G.L. Chapter 90 in order to enhance the penalties and administrative sanctions for Operating Under the Influence (OUI) offenders in Massachusetts. Melanie's Law required the creation of a state run ignition interlock program.

Multiple OUI offenders are now required to install an Ignition Interlock Device (IID) in their vehicle upon issuance of a hardship license or at full license reinstatement. An IID is a handheld breath-alcohol monitoring device that is electronically connected to a vehicle's ignition. Before starting the vehicle, the IID requires the operator to take and pass a breath test. It also requires the operator to take re-tests while operating the vehicle. If an operator has 2 or more OUI convictions and is eligible for a hardship license, the operator must use the IID for the length of the hardship license and for an additional 2 years after license reinstatement.

Junior Operators and Permit Holders

In addition to Melanie's law, significant increases in penalties and reinstatement fees for Junior Operators and Permit Holders who commit certain violations took effect in March, 2007. For example, Junior Operators now suffer a 90 day loss of license for a first speeding conviction, and a one-year suspension for drag racing. These penalties range from higher fines and higher reinstatement fees, to suspension or revocation of the license.

Melanie's law and the increased penalties for Junior Operators and Permit Holders have led to an increase in appeals of both the Registrar's decisions and the penalties imposed. In 2007, the Board saw a 16.2% increase in appeals of RMV decisions compared to the previous three years.

Four Year Trends: Board of Appeal	2004	2005	2006	2007
Appeals of SDIP Surcharges	45,550	54,982	56,570	49,080
Appeals of RMV Actions	4,013	4,236	4,143	4,801
Appeals of Auto Insurance Cancellations	436	354	270	211

Legal Division

Office of the General Counsel

Mission

The Office of the General Counsel - including the Hearings and Appeals Section - assists the Commissioner of Insurance in administering the laws of the Commonwealth as they pertain to the protection of the insurance consumer through the regulation of the insurance industry. The Office of the General Counsel further assists the Commissioner of Insurance in monitoring the solvency of insurers by coordinating the takeover and liquidation of insolvent insurance companies and the rehabilitation of financially troubled companies.

2007 Goals

- Provide legal support and advice to the Commissioner of Insurance, Division staff, consumers, executive and legislative branch members and other interested parties in the Massachusetts insurance marketplace.

Completed Successfully

- Research and draft regulations, regulatory bulletins and interpretative letters on Massachusetts insurance laws and regulations. Analyze insurance-related legislation and serve as hearing officers in various regulatory and adjudicatory administrative proceedings.

Completed Successfully

- Provide a flexible alternative to litigation through the adjudicatory hearing process conducted by the Hearings and Appeals Section. This includes insurance rate proceedings, actions taken by the Division of Insurance against its licensees and administrative appeals - including appeals from decisions of the residual market entities overseen by the Commissioner of Insurance.

Completed Successfully

Primary Activities

Reform of Private Passenger Motor Vehicle Insurance Market

On May 18, 2007, the Division held a hearing pursuant to M.G.L. c. 175E, § 5 to determine whether competition in the automobile insurance market is either (1) insufficient to assure that rates will not be excessive, or (2) so conducted as to be destructive of competition or detrimental to the solvency of insurers.

On July 16, 2007, the Commissioner issued a Decision and Order determining that these conditions currently do not exist in the Massachusetts private passenger motor vehicle insurance market; therefore, she could not fix-and-establish rates for private passenger motor vehicle insurance in 2008.

On October 19, 2007, the Division issued a new regulation, 211 CMR 79.00, *Private Passenger Motor Vehicle Insurance Rates*, to govern the private passenger motor vehicle insurance market as it transitions to a competitive rating environment. In accordance with this regulation, insurers submitted competitive rate filings to the Division on November 19, 2007. The regulation established a deadline of November 27 for amending these filings. Thereafter, the Division called a hearing on one rate filing and the Office of the Attorney General requested hearings on five rate filings. The Division issued public notices for these hearings and then held pre-hearing conferences in December 2007. Ultimately, the Division placed all transitional rate filings submitted to the Division “on file”, to be effective April 1, 2008.

The Division issued a variety of regulatory bulletins to provide guidance to the industry as the market transitioned to competitive rating. These regulatory bulletins concerned topics including:

- Regulatory review standards for competitive private passenger motor vehicle insurance rate filings
- Product form, endorsement and new business application requirements
- Classification plan requirements for private passenger motor vehicle insurance policy rate filings
- Filing requirements and procedures for private passenger motor vehicle insurance group marketing plans pursuant to M.G.L. c. 175, § 193R
- Filing clarification regarding model year and rate symbol factors
- Comparison of private passenger motor vehicle insurance premiums pursuant to M.G.L. c. 175, § 113H

A complete list and description of these bulletins can be found at the end of this publication.

Reform of the Private Passenger Motor Vehicle Insurance Residual Market/Implementation of the Massachusetts Automobile Insurance Plan (MAIP)

In 2007, the Division continued to dedicate substantial resources to reforming the operation of the residual market for private passenger motor vehicle insurance. Specifically, the Division held several hearings on proposed amendments to the Commonwealth Automobile Reinsurers (CAR) Rules of Operation. Some of the proposed amendments included those rules concerning the creation and implementation of the Massachusetts Automobile Insurance Plan (MAIP). Those proceedings included hearings and decisions on the following:

- Hearing to Suspend Rules of Operation of CAR Promulgated on December 13, 2006
- Proposed Amendments to CAR Rules of Operation 21, 22 and 26
- Proposed Amendments to CAR Rule of Operation 13
- Proposed Amendments to CAR Rules of Operation 23, 26, 28 and 30
- Proposed Amendments to CAR Rules of Operation 11, 12, 29 and 31

On April 19, 2007, the Commissioner approved the amended MAIP Rules and remanded those rules to CAR for additional amendments. CAR subsequently submitted additional rule amendments to the Commissioner and a public hearing was held on June 15, 2007. On July 16, 2007, the Commissioner approved Rules 21 through 40, with additional amendments, effective immediately.

The reform of the private passenger motor vehicle insurance residual market, as that market transitions to functioning as an assigned risk plan, continues to be a work in progress.

Special Activities

Receiverships

The Office of General Counsel managed nine receiverships under which the Commissioner of Insurance has been appointed receiver. Additionally, attorneys responded to approximately 100 written public records requests, as well as an average of four oral public record requests per week. The Office supervised and assisted in responding to a substantial number of internal public records inquiries made directly to other Division departments. Departments assisted in this manner included Consumer Services, Policy Form Review, Special Investigations, Producer Licensing, and Financial Surveillance.

Domestic and Ancillary Receiverships

Domestic Receiverships		
Date	Company	Status
06/09/1995	Abington Mutual Liquidating Trust	In Liquidation
01/17/1989	American Mutual Liability Insurance Company	In Liquidation
08/26/1992	Attleboro Mutual Liquidating Trust	In Rehabilitation
11/29/2004	Groveland Mutual Liquidating Trust	In Liquidation
11/01/2000	Lumber Mutual Insurance Companies	In Rehabilitation
06/09/1994	Monarch Life Insurance Company	In Rehabilitation
09/20/2000	New England Fidelity Insurance Company	In Liquidation
02/10/2000	Trust Insurance & Trust Assurance Companies	In Liquidation
07/26/2006	Newburyport Mutual Fire Insurance Company	In Liquidation

Active Ancillary Receiverships				
Date	Company	State	Estimated Assets	Closed Date
10/16/2002	Legion Insurance Company	PA	\$57,520,000	
10/16/2002	Villanova Insurance Company	PA	\$1,460,000	
10/03/2001	Reliance Insurance Company	PA	\$56,272,000	
06/06/2005	Home Insurance Company	NH	\$5,700,000	
05/25/2005	United Capitol	IL	\$300,000	

Closed Ancillary Receiverships	
None in 2007	

Litigation

Attorneys worked closely on the litigation of various actions in state court, particularly the Attorney General's appeal of the Commissioner's decision on the Massachusetts Property Insurance Underwriting Association's (MPIUA or FAIR Plan) 2005 rate filings. On January 3, 2008, the Supreme Judicial Court affirmed the Commissioner of Insurance's August 11, 2006, decision approving the revised rates proposed by the MPIUA. See *Attorney General v. Commissioner of Insurance*, No. SJC-09966 (Mass. Jan. 3, 2008). Additionally, members of the Office of the General Counsel continue to serve as appointees to an advisory committee that reviews all applications for written consent to engage or participate in the business of insurance under the provisions of the federal Violent Crime Control and Law Enforcement Act of 1994, 18 U.S.C. § 1033.

Hearings and Appeals

As the administrator of the insurance laws, the Division conducts hearings on a wide range of issues, including statewide insurance rate cases, actions taken by the Division against its licensees, and administrative appeals. These matters significantly affect Massachusetts consumers and businesses, and are the top priority of the Hearings and Appeals staff. The staff maintains all official records of cases before the Division, issues notices of public hearings and provides prompt public access to records. The Docket Clerk provides assistance to consumers and industry representatives who have questions regarding cases or who wish to conduct in-house reviews of case records.

In 2007, the Division held public hearings on rate filings concerning statewide workers' compensation rates and statewide residual market homeowner's insurance (MPIUA or FAIR Plan) rates. In addition, the Division also held a public hearing concerning the overall condition of the Massachusetts market for Medicare Supplement insurance.

Attorneys from the Legal Division assisted in reviewing an application for the proposed acquisition of a Massachusetts domestic property and casualty insurer and the subsequent hearing on that proposed transaction. Division's enforcement counsel instituted various administrative actions against Division licensees and defended appeals of license denials.

Legal Division attorneys assisted in drafting new regulations and amending existing ones. Public hearings were held on the following regulatory changes:

- Merger of the nongroup and small group health insurance markets
- Procedures concerning rate filings made by the MPIUA for residual homeowner's market insurance rates
- Young adult health benefit plans
- Procedures for the conduct of appraisals and intensified appraisals under Automobile Damage Appraiser and Licensing Board (ADALB) regulations
- Risk Based Capital (RBC) for health organizations

Special Investigations & Enforcement

SIU Mission

A division of the Office of the General Counsel, The Special Investigations Unit staff and Enforcement Counsel investigate allegations of misconduct by Division licensees, and pursue appropriate enforcement. These cases include reviewing findings and evidence supporting allegations of unfair methods of competition, unfair and deceptive acts or trade practices, and other violations of insurance law and regulations.

SIU 2007 Goals

- Thoroughly investigate cases referred by the general public, other state and federal investigative and prosecutorial agencies, and other sections of the Division involving allegations of unfair methods of competition, unfair or deceptive acts or practices in the business of insurance and other violations of insurance laws and regulations.

Completed Successfully

- Pursue enforcement actions through negotiated settlements, consent agreements or administrative decisions. Remedies include: cease and desist orders; the establishment of compliance programs; license sanctions such as revocation or suspension; and, the imposition of financial penalties.

Completed Successfully

- Make referrals to agencies of the federal and state government and report evidence of criminal activity to the appropriate law enforcement authority.

Completed Successfully

SIU Primary Activities

During 2007, the Special Investigations Unit reported enforcement actions online to the NAIC Regulatory Information Retrieval System. Enforcement actions were also posted on the Division's website. In addition, the unit staff participated in the Online Fraud Reporting System, the State Regulatory Information Retrieval System Alert Notification System and the Special Activities Database System sponsored by the NAIC. For calendar year 2007, Special Investigations and Enforcement closed 385 cases resulting in \$151,300 in financial penalties and \$2,979 in restitution.

Four Year Trends: Special Investigations	2004	2005	2006	2007
Cases Resolved	334	484	455	385
Suspended or Revoked Licenses	52	97	36	35
Cease & Desist Orders	140	179	160	132
Referrals for Enforcement Action	166	240	187	211
Financial Penalties	\$459,600	\$348,725	\$377,425	\$151,300
Restitution	\$166,966	\$359,098	\$52,486	\$2,979

Information Technology

The Information Technology Group provides technical service and support to all departments of the agency. The staff is responsible for the day-to-day operations of the Division's telecommunications system, local area network, web sites, desktop personal computers, database systems and data connections to MAGNet, the Commonwealth's Wide Area Network, as well as private data circuits to the National Association of Insurance Commissioners (NAIC) and to Galaxy Internet Services. The Group is also responsible for the development of application programs in support of each functional group in the Division. These application programs are deployed to improve business processes, to achieve increased productivity, to support the Division's constituents - such as consumers, producers and companies - and to otherwise support the Division in achieving its goals and objectives.

Mission

- Support the mission, goals, and objectives of the Division of Insurance, and provide efficient and useful services and technologies to internal user-clients, as well as to external constituents.
- Provide hardware/software/networking infrastructure and I.T. support and development personnel which are reliable, effective and responsive.
- Provide quality services to our user-clients.
- Strive for excellence and customer satisfaction in our networking, helpdesk, systems development and consulting endeavors. Perform our work with a proactive approach and adopt a "can do" attitude.
- Constantly improve on the Division of Insurance's investment in technology by: safeguarding technology assets; expanding technical knowledge and skills; working cooperatively with business partners and users; and, by leveraging available state and NAIC technologies for the good of the Division.

2007 Goals

- Implement the Division's web-based Producer Licensing System – OLLIE for license renewals.

Completed Successfully

- Complete the Division's Information Technology physical inventory and reconciliation to accounting books and our physical locator system.

Completed Successfully

- Implement an interactive consumer web site for the Division. Phase 1 of this project is the Producer Search and Lookup Function - AgentFinder.

Completed Successfully

- Participate in the Division's Business Continuity and Disaster Recovery planning project.

Ongoing

-
- Complete a full Security Assessment of our development and production environment for web-based systems. This goal includes simulating attacks on our infrastructure hardware and software, as well as our OLLIE web system and application.

Completed Successfully

- Plan and implement an application and website which will allow consumers to compare auto insurance rates under the new “managed competition” structure.

Partially Complete – Scheduled for Completion in February, 2008

Primary Activities

The completion of Information Technology projects has resulted in improved operational efficiencies in all departments. The successful completion of the OLLIE Web-based License Renewal application has created faster and more efficient turnaround for agents and producers. Its on-line payment feature has created faster throughput for revenue by processing payments faster. The adoption rate for OLLIE among individual producers has exceeded our expectations. In the first five months of operation, over 40% of renewals were processed through the web application and paid on-line.

The Division’s Continuity of Operations Plan (COOP) provides for any contingency which would render our South Station facility inoperable for an extended period of time. The Office for Consumer Affairs headquarters at 10 Park Plaza has been designated as our primary backup facility in case of an evacuation of our South Station facility. A procedure to restore fundamental communications facilities - particularly e-mail and our access to the internet - will allow for basic organizational support during the early days of any crisis.

The completion of the AgentFinder web tool for the Division’s website allows consumers to easily find agents selling the various lines of insurance in a specific geographic area. Consumers can use the advanced search in order to specify several criteria which would narrow the search by company, geographic area or lines of insurance. This interactive tool will also facilitate the search for agents under the new auto insurance comparison website because the two systems will be linked together for the convenience of the consumer. Producers will benefit by the ability to update their own demographic information in the database. This will enhance the accuracy of the information displayed to the consumer.

The completed Security Assessment serves the Division in several ways. We are able to proceed with confidence in our methods and infrastructure knowing that a third party has reviewed the environment and approved of our overall approach to building web-based applications. We have also been given a set of “best practices” recommendations which we can implement where appropriate. Finally, the Security Assessment provides us with a blueprint for the construction of sound policies and procedures to enhance our security.

The completion of our Insurance Rate Comparison System and website will provide consumers with an important tool in understanding the effects of managed competition in the marketplace. Companies, agencies and individual producers will benefit as the website drives consumer traffic to them.

National Association of Insurance Commissioners (NAIC) Activity

Each year, the Division of Insurance participates in a range of activities through the National Association of Insurance Commissioners (NAIC). The ability to combine information, perspective and expertise with our counterparts in other states is vital to the Division's ability to accomplish our mission. Linkages and information-sharing from state to state take place as the NAIC committees work via email, webinars and conference calls throughout the year. In addition, staff from the Division attend NAIC meetings regularly.

NAIC Surveys

The Administration Department completes the annual NAIC Resources Survey. This survey reports on the types of positions, salaries, number of positions, budget and revenue of the Division. The Department also completes a portion of the NAIC Interim Annual Review (IAR). The IAR reports on training programs, staff turnover, position qualifications, etc. for the financial examination and surveillance staff. This annual review is described further under the section on the (F) Committee.

Property and Casualty Insurance (C) Committee

The mission of the Property and Casualty Insurance (C) Committee is to monitor and respond to regulatory issues associated with property or casualty insurance products, including issues regarding their delivery and cost. The Committee monitors property and casualty insurance markets and the surplus lines market. The Committee addresses regulatory issues associated with both personal lines (particularly auto and homeowners insurance) and commercial lines coverages. The Committee also monitors and responds to problems associated with financial reporting matters for property and casualty insurers that are of interest to regulatory actuaries and analysts and monitors and responds to problems associated with the financial aspects of the surplus lines market.

Catastrophe Insurance Working Group (C)

This working group examines catastrophes and possible strategies to spread the risk of catastrophes across state, regional and federal programs in ways that may present a more efficient method of managing the risk of catastrophic losses.

AIG Settlement Review Working Group (C)

This working group examines a settlement offer negotiated between the AIG Companies and the State of New York regarding incorrect workers' compensation reports filed by the AIG Companies that impacted their taxes, assessments and penalties in each of the states in which it does business.

Staff from the Division's State Rating Bureau participated in both of these (C) Committee working groups throughout 2007, attending NAIC quarterly meetings and participating in conference calls.

Market Conduct and Consumer Affairs (D) Committee

The (D) Committee monitors aspects impacting the market regulatory process. This monitoring includes overseeing:

- The collection of market data;
- Market Information Systems;
- Automated applications;
- The use of desk audits, examinations, interrogatories, investigations, and other resources for monitoring market activities; and,
- The analysis of data relevant to market issues.

In addition, the (D) Committee helps identify and develop uniform regulatory standards and solutions to problems related to market issues. As part of this function, the committee facilitates interstate communication and coordinates collaborative state regulatory actions. The committee also reviews and makes recommendations regarding the underwriting and market practices of insurers and producers as those practices affect insurance consumers, including availability and affordability of insurance.

Market Analysis Working Group (D)

The Director of the Division's Market Conduct Section is one of sixteen national regulators selected to be an active member of the Market Analysis Working Group. The Group identifies and reviews insurance companies, which are, or may exhibit characteristics indicating a current or potential market regulatory issue that may impact multiple jurisdictions. The Working Group determines if regulatory action is being taken and supports collaborative actions in addressing problems identified. During 2007, staff from the Division's Market Conduct section attended and participated in quarterly national meetings and monthly conference calls.

Market Regulation Handbook Working Group (D)

The Market Conduct Section is also an active member the Market Regulation Handbook Working Group. The mission of this group is to:

- Expand the *Market Regulation Handbook* to include the market regulation initiatives and market analysis techniques set forth in the NAIC Framework for Market Analysis. Develop new core competency standards to include criteria which measure state compliance with the market regulation initiatives and market analysis techniques outlined in the Framework for Market Analysis. Develop other core competency standards that support market regulatory function, as deemed necessary by the Working Group;
- Evaluate the need and develop market conduct examination standards and procedures regarding regulated entities' market conduct-related activities; and,
- Develop general overall updates to the *Market Regulation Handbook*/core competencies to include references to new and existing NAIC working group initiatives, work products and NAIC models and white papers.

During 2007, staff from the Market Conduct section attended and participated in quarterly national meetings and monthly conference calls.

Producer Licensing Working Group (D)

The Director of Producer Licensing is an active member of the (D) Committee's Producer Licensing Working Group. The Working Group's mission is to:

- Develop and implement uniform standards, interpretations and treatment of producer and adjuster licensees and licensing terminology;
- Coordinate and consult with the National Insurance Producer Registry Board of Directors to develop and implement uniform producer licensing initiatives, with a primary emphasis on encouraging the use of electronic technology; and,
- Monitor and respond to developments related to licensing reciprocity.

As a member of the Working Group, the Director participates in regional and national SILA (Securities Insurance Licensing Administrators) meetings and occasional NAIC meetings. Participation in Working Group conference calls is ongoing throughout the year.

Complaint Handling & Reporting Standards Working Group (D)

The Consumer Service Section (CSS) is a member of the D Committee's Complaint Handling & Reporting Standards Working Group. The charge of this working group is to create and promote uniformity in complaint handling and reporting. Ultimately, successfully accomplishing this mission will benefit regulators, companies, and consumers alike by ensuring that complaint data are meaningfully interpretable for market analysis and public information purposes, while at the same time improving regulator response and intervention on behalf of consumers. During 2007, staff from the CSS took part in various conference calls with their counterparts from other states throughout the year to discuss complaint handling and reporting standards.

Financial Conditions (E) Committee

The mission of the Financial Condition (E) Committee is to be the central forum and coordinator of solvency-related considerations of the NAIC relating to accounting practices and procedures, blanks, valuation of securities, the Insurance Regulatory Information System (IRIS), financial analysis and solvency, zone examinations and examiner training and issues concerning insurer insolvencies and guarantees.

Financial Analysis Working Group (E)

The Division also served as a member of the Financial Analysis Working Group during 2007. This group is a subgroup of the Financial Conditions (E) Committee. The mission of the Financial Analysis Working Group is to:

- Analyze nationally significant insurers and groups that exhibit characteristics of trending toward or being financially troubled, and determine if appropriate action is being taken;
- Interact with domiciliary regulators and lead states to assist and advise as to what may be the most appropriate regulatory strategies, methods, and action(s);
- Support, encourage, promote and coordinate multi-state efforts in addressing solvency problems; and,
- Review and make appropriate updates and enhancements to the *NAIC Troubled Insurance Company Handbook*.

Accounting Practices and Procedures Task Force (E)

The Division served as a member of the Accounting Practices and Procedures Task Force during 2007. This task force is a subgroup of the Financial Conditions (E) Committee. The mission of the Task Force is to:

- Identify, investigate and develop solutions to accounting problems with the goal of guiding insurers in properly accounting for various aspects of their operations;
- Modify the Accounting Practices and Procedures manuals to reflect changes necessitated by task force action; and,
- Study innovative insurer accounting practices which affect the ability of regulators to determine the true financial condition of insurers.

The group accomplishes this mission through various working groups, sub-groups, and study groups. Staff from the Division's Financial Surveillance and Company Licensing section worked on the Task Force in various capacities throughout 2007.

Receivership and Insolvency Task Force (E)

The Division served as a member of the Receivership and Insolvency Task Force of the NAIC during 2007. The primary mission of this Task Force is to monitor insolvencies of insurance companies and insolvency guaranty funds nationwide. The duties associated with this group include:

- Monitoring the effectiveness and performance of state administration of receiverships and the state guaranty fund system;
- Coordinating cooperation and communication among regulators, receivers and guaranty funds;
- Monitoring ongoing receiverships and reporting on such receiverships to NAIC members;
- Developing and providing educational and training programs in the area of insurer insolvencies and insolvency guarantees to regulators, professionals and consumers;
- Developing and monitoring relevant model laws, guidelines and products; and,
- Providing resources for regulators and professionals to promote efficient operations of receiverships and guaranty funds.

In 2007, Legal Division staff worked on amendments to the Property and Casualty Insurance Guaranty Association Model Act and the Life and Health Insurance Guaranty Association Model Act.

Financial Regulation Standards and Accreditation (F) Committee

The mission of the Financial Regulation Standards and Accreditation (F) Committee is the administration and enforcement of the NAIC Accreditation Program. This work includes:

- The consideration revision and interpretation of standards for accreditation;
- The evaluation and interpretation of states' laws and regulations, and departments' practices, procedures and organizations as they relate to compliance with standards;
- The examination of members for compliance with standards, including the development of procedures for examination;
- Selecting qualified individuals to examine members for compliance with standards; and,
- Making decisions regarding whether or not to accredit members.

Each year, the Division of Insurance includes the maintenance of NAIC accreditation among its primary goals. As a condition of maintaining and retaining NAIC accreditation, Massachusetts must complete an Interim Annual Review (IAR) Guide for the NAIC accreditation staff each year. The NAIC reviews, analyzes, and evaluates the IAR, and then makes recommendations to the Financial Regulation Standards and Accreditation (F) Committee. In 2007, Massachusetts' Interim Annual Review Guide was received in March from the NAIC. Staff from the Division's Financial Examinations section completed and returned the Guide to the NAIC in May, 2007. The (F) Committee subsequently notified the Division that we met the requirements of the IAR, and that continued accreditation for Massachusetts was recommended and granted.

Throughout the year, staff from the Financial Examinations section receive updates on NAIC current developments and emerging issues. This is accomplished by attending the quarterly NAIC national meetings and reviewing the minutes thereof, attending the annual NAIC Financial Summit, various webinar training sessions, conference calls on specific issues, and reviewing NAIC quarterly meeting issue papers and current hot topic NAIC emails.

Climate Change and Global Warming Task Force (EX)

The mission of the Climate Change Task Force is to serve as coordinator of the NAIC analysis of the impact of climate change on insurance consumers, insurance providers and insurance regulators. The Task Force examines the implications of climate change on insurer solvency, the availability of affordable insurance coverage for the nation's insurance consumers and its impact on insurance regulation.

Staff from the Division's State Rating Bureau participated in the Task Force throughout 2007, attending NAIC quarterly meetings and participating in conference calls.

Speed to Market Working Group (EX) Interstate Insurance Compact

In 2000, members of the NAIC unanimously adopted a blueprint for significant regulatory reforms to modernize state insurance regulation. The NAIC formed the Speed to Market Working Group (EX) to address regulatory efficiency issues as insurers facing competition from financial institutions sought a more effective filing and review process. The Working Group recommended a new system featuring:

- A single point of filing and review.
- The development of national standards for insurance products.
- A more efficient state-based procedure for processing and filing.

In 2002, NAIC members decided that the facilitation of interstate cooperation and the development of national uniform standards applicable in multiple states would best be served by an interstate compact. Throughout 2002 and 2003, the working group worked closely the National Conference of State Legislatures (NCSL), the National Conference of Insurance Legislators (NCOIL), the National Association of Attorneys General (NAAG), and other state officials to further refine and enhance the Interstate Insurance Compact Model legislation. By May of 2006, more than 26 states with over 40% of the nationwide premium volume had enacted the Compact legislation. This threshold created the Interstate Insurance Product Regulation Commission (IIPRC), thereby establishing a central point for filing various insurance products.

Within six months of its creation, the IIPRC adopted its first Uniform Standards. The IIPRC started receiving and reviewing product filings by mid-2007. The IIPRC had thirty-eight Uniform Standards in effect by the end of 2007. In the Fall of 2007, the IIPRC instituted Filing Fees to finance the operations of the IIPRC. Work continues to adopt more Uniform Standards and to enhance the procedures to receive product filings on behalf of the IIPRC Member States.

Today, the IIPRC has 31 members - including Massachusetts - representing half of the nationwide premium volume. The Interstate Insurance Compact is an important modernization initiative that benefits state insurance regulators, consumers and the insurance industry. The Compact enhances the efficiency and effectiveness of the review and approval of insurance filings, allowing consumers to have faster access to competitive insurance products. The Compact promotes uniformity through the application of national product standards embedded with strong consumer protections.

In addition to serving as a member of the Compact, Massachusetts serves and participates on the Management, Product Standards and Rulemaking Committees.

Acts, Regulations & Bulletins

Acts

Chapter 205 of the Acts of 2007

Establishes and regulates the membership and operation of a Health Disparities Council within, but not subject to the control of, the Executive Office of Health and Human Services; directs certain insurance carriers, upon request, to make information available to the Health Care Access Bureau; imposes limits on said information. Amends which provision informs the administration of the trust fund by the health safety net office for the purpose of payments to acute hospitals and community health centers.

Chapter 219 of the Acts of 2007

Amends various provisions relative to the operation of dental services companies. Limits the investment of said dental services corporations to those securities permitted to insurance companies. Authorizes said corporations to acquire and own real estate occupied by itself. Authorizes the Commissioner of Insurance to require dental service companies to acquire contingent surpluses. Limits other funds of dental service companies to those permitted for the investment of institutional funds.

Regulations

211 CMR 25.00, Risk Based Capital for Health Organizations

This new regulation allows the Division of Insurance to monitor more closely the financial solvency of health organizations licensed under M.G.L. chs. 175, 176A, 176B, 176E, 176F, and 176G.

211 CMR 41.00, Nongroup Health Insurance

The passage of Chapter 58 of the Acts of 2006, as amended by Chapters 324 and 450 of the Acts of 2006, amended, in part, M.G.L. c. 176M, Nongroup Health Insurance, and M.G.L. c. 176J, Small Group Health Insurance. These amendments created the need to amend 211 CMR 41.00. The legislation resulted in a merger of the nongroup/individual and small group health insurance markets and established new rating requirements for products offered to eligible individuals and eligible small groups in the new merged market.

211 CMR 63.00, Young Adult Health Benefit Plans

This new regulation was promulgated pursuant to Chapter 58 of the Acts of 2006, *An Act Providing Access to Affordable, Quality, Accountable Health Care*, and implements Section 10 of M.G.L. c. 176J. The regulation establishes benefit criteria and rating requirements for young adult health benefit plans, as well as guidance on how to offer such products in a consistent and fair manner.

211 CMR 66.00, Small Group Health Insurance

The passage of Chapter 58 of the Acts of 2006, as amended by Chapters 324 and 450 of the Acts of 2006, amended, in part, M.G.L. c. 176M, Nongroup Health Insurance, and M.G.L. c. 176J, Small Group Health Insurance. These amendments created the need to amend 211 CMR 66.00. The legislation resulted in a merger of the nongroup/individual and small group health insurance markets and established new rating requirements for products offered to eligible individuals and eligible small groups in the new merged market.

211 CMR 78.00 - Procedures Concerning Rate Filings and the Conduct of Hearings for Motor Vehicle Insurance (Rescinded)

This regulation was rescinded in order to avoid inconsistent regulatory requirements applicable to the private passenger motor vehicle insurance market in the Commonwealth. The regulation was superseded as to commercial motor vehicle insurance in 1981 by 211 CMR 91.00, *Motor Vehicle Insurance Rates*; and, superseded as to private passenger motor vehicle insurance in October of 2007 by the promulgation of 211 CMR 79.00, *Private Passenger Motor Vehicle Insurance Rates*.

211 CMR 79.00, Private Passenger Motor Vehicle Insurance Rates

This new regulation addresses procedures relating to the filing and review of the rates and premium charges for all types of coverages under private passenger motor vehicle insurance policies. The regulation promotes the public welfare by regulating insurance rates so that they are not excessive, inadequate or unfairly discriminatory. The regulation also promotes the accuracy and fairness of private passenger motor vehicle insurance rates. In addition, the regulation protects the interests of policyholders during the transition from a fixed-and-established market to a competitive market, and promotes price competition among insurers to provide insurance rates that are responsive to competitive market conditions.

211 CMR 101.00, Procedures Concerning Rate Filings Made Pursuant to M.G.L. c. 175C and the Conduct of Hearings on Such Filings

This new regulation sets forth standards and procedures for filings made by the Massachusetts Property Insurance Underwriting Association - also known as the FAIR Plan - and for the conduct of hearings on those filings.

212 CMR 2.00, The Appraisal and Repair of Damaged Motor Vehicles

This regulation was amended by the Massachusetts Auto Damage Appraiser Licensing Board to facilitate the calculation of the costs of repair of damaged motor vehicles under 212 CMR 2.04, *Procedures for the Conduct of Appraisals and Intensified Appraisals*. The amendment was necessary to provide guidance to insurance appraisers and repair shops as to the procedures for the appraisal and repair of damaged motor vehicles.

Bulletins

Bulletin 2007-01: Amendments Created by Chapter 58 of the Acts of 2006, as amended, Related to Eligibility as a Dependent in an Insured Health Plan

Issued to all carriers to clarify the new dependant coverage requirements implemented under the Health Care Reform Act (Chapter 58 of the Acts of 2006, as amended) and effective January 1, 2007.

Bulletin 2007-02: Addendum to 2007 “Massachusetts Bulletin for People with Medicare”

Issued to notify licensed insurers they are required to provide a copy of this Massachusetts Bulletin along with the *2007 Guide to Health Insurance for People with Medicare* to those individuals eligible for Medicare and to provide basic information regarding available program options for those individuals.

Bulletin 2007-03: The Introduction of the MBTA CharlieCard and the Public Transit Discount in Private Passenger Automobile Insurance

Issued to inform insurers about changes to the way policyholders will provide evidence to document the policyholder's eligibility for the Public Transit Discount.

Bulletin 2007-04: Non-discriminatory Offer and Equal Contribution by Employers of Insured Group Health Benefit Plan Contracts Pursuant to Chapter 58 of the Acts of 2006, as Amended

Issued to summarize and clarify certain provisions related to the non-discriminatory offer and equal contribution by employers of insured group health benefit plan contracts as required by the enactment of Chapter 58 of the Acts of 2006, as amended.

Bulletin 2007-05: New Insurance Producer License Renewal Application Forms

Issued to notify all licensed insurance producers and other interested parties that the Division of Insurance has begun accepting the National Association of Insurance Commissioner's Uniform Applications for the renewal of resident and non-resident individual and business entity insurance producer licenses.

Bulletin 2007-06: Implementation of the Division of Insurance's Online Licensing for Individuals and Entities System (OLLIE)

Issued to inform insurance producers of the first phase of the new Online Licensing for Individuals and Entities system, known as OLLIE, beginning September 25, 2007.

Bulletin 2007-07: Regulatory Review Standards Applicable to Private Passenger Motor Vehicle Insurance Rate Filings for Rates Effective April 1, 2008 through March 31, 2009

Issued to inform insurers filing private passenger motor vehicle insurance rates about the Division's procedures for reviewing rate filings with the above-indicated effective dates.

Bulletin 2007-08: Regulatory Review Standards Applicable to Private Passenger Motor Vehicle Insurance Rate Filings in the Residual Market for Rates Effective April 1, 2008 through March 31, 2009

Issued to advise Commonwealth Automobile Reinsures (CAR) of certain parameters established by the Commissioner of Insurance with regard to the transition rate filing for the residual market.

Bulletin 2007-09: Deviated Case Rates for Credit Life and Credit Accident and Health Insurance Sold by Motor Vehicle Dealers Effective Between January 1, 2008 and December 31, 2010

Issued to notify insurers that the Commissioner, pursuant to M.G.L. c. 175, § 117C(b)C.(4)(iii), shall review the combined experience of all insurers writing certain insurance products in Massachusetts for the motor vehicle dealer class of business and compute the deviated case rates for such insurance policies.

Bulletin 2007-10: Product Form, Endorsement, and New Business Application Requirements for Private Passenger Motor Vehicle Insurance Policies with Policy Effective Dates of April 1, 2008 through March 31, 2009

Issued to inform insurers about the product form, endorsement, and new business application filing requirements that apply as the market transitions to managed competition.

Bulletin 2007-11: Discounts Applicable to Private Passenger Motor Vehicle Insurance Premiums

Issued to inform all insurers who sell or service private passenger motor vehicle insurance policies about required premium discounts that will continue to apply as the market transitions to managed price competition.

Bulletin 2007-12: Classification Plan Requirements for Private Passenger Motor Vehicle Insurance Policy Rate Filings Applicable to Policies with Effective Dates of April 1, 2008 through March 31, 2009

Issued to inform insurers that sell private passenger motor vehicle insurance policies about the requirements for classification plans contained in insurer rate filings that apply to such policies.

Bulletin 2007-12A: Classification Plan Requirements for Private Passenger Motor Vehicle Insurance Policy Rate Filings Applicable to Policies with Effective Dates of April 1, 2008 through March 31, 2009

Issued to clarify Bulletin 2007-12 issued on November 1, 2007. Cautions insurers that the practice of tiering based on prior limits of liability in insurers' rate filings for the period of April 1, 2008 through March 31, 2009 is prohibited.

Bulletin 2007-13: Filing Requirements and Procedures for Private Passenger Motor Vehicle Insurance Group Marketing Plans Pursuant to M.G.L. c. 175, § 193R

Issued to inform insurers who sell or service private passenger motor vehicle insurance policies about the filing requirements and procedures related to group marketing plans effective on or after April 1, 2008.

Bulletin 2007-14: Filing Clarification Regarding the Model Year and Rate Symbol Factors Applicable to Private Passenger Motor Vehicle Insurance Policies Effective on April 1, 2008

Issued to provide guidance to insurers for the purpose of adapting the model year and rate symbol factors included in the Automobile Insurer's Bureau April 1, 2008 Advisory Filing to the insurers' specific vehicle mixes on a sound actuarial basis.

Bulletin 2007-15: Written Notice to Claimants of Payment of Claims in Third Party Settlements

Issued to notify insurers of the specific written notice requirements insurers must provide to certain claimants upon payment of five thousand dollars (\$5,000) or more in settlement of any third-party liability claim, if the payment is made to a claimant by the insurer or its representative, including the insurer's attorney.

Bulletin 2007-16: Comparison of Private Passenger Motor Vehicle Insurance Premiums Pursuant to M.G.L. c. 175, § 113H Using Voluntary Rates on File for Insurer and Residual Market Rates on File for CAR

Issued to inform insurers about the appropriate method to determine the private passenger automobile insurance policy premium when policyholders obtain coverage through the residual market.

Note: The summaries provided in these sections should not be interpreted as the Division's formal legal interpretation or recommendation, nor are the summaries inclusive of all aspects of any of the laws enacted, regulations promulgated, or bulletins issued in 2007.

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