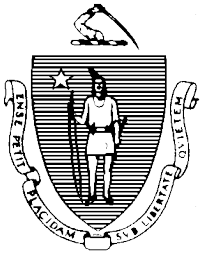


THE COMMONWEALTH OF MASSACHUSETTS

OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

DIVISION OF INSURANCE

Report on the Comprehensive Market Conduct Examination of

Liberty Mutual Insurance Company

Boston, Massachusetts

For the Period January 1, 2020 through December 31, 2020

NAIC GROUP CODE: 0111

NAIC COMPANY CODE: 23043

EMPLOYER ID NUMBER: 04-1543470

TABLE OF CONTENTS

COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE
1000 Washington Street, Suite 810 • Boston, MA 02118-6200
(617) 521-7794 • Toll-free (877) 563-4467
http://www.mass.gov/doi

MAURA T. HEALEY
GOVERNOR

KIM DRISCOLL
LIEUTENANT GOVERNOR

KEVIN P. BEAGAN
ACTING COMMISSIONER OF INSURANCE

August 1, 2024

The Honorable Kevin P. Beagan
Acting Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, Massachusetts 02118-6200

Dear Acting Commissioner Beagan:

Pursuant to your and former Commissioner Gary D. Anderson's instructions and in accordance with Massachusetts General Laws Chapter 175, § 4, a comprehensive examination has been made of the market conduct affairs of

LIBERTY MUTUAL INSURANCE COMPANY

which is based at their home offices located at:

175 Berkeley Street
Boston, Massachusetts 02016

The following report thereon is respectfully submitted.

ACRONYMS

Commonwealth Automobile Reinsurers ("CAR")
Chief Compliance Officer ("CCO")
Commonwealth of Massachusetts Division of Insurance ("the Division")
Comprehensive Loss Underwriting Exchange ("CLUE")
Comprehensive market conduct examination ("examination")
Board of Directors ("Board")
Insurance Services Office ("ISO")
Liberty Mutual Holding Company, Inc. ("LMHC")
Liberty Mutual Insurance Company (the "Company")
Liberty Mutual Group, Inc. ("LMGI")
Market Conduct Annual Statement ("MCAS")
Massachusetts General Laws Chapter ("M.G.L. c.")
Merit Rating Board ("MRB")
National Association of Insurance Commissioners ("NAIC")
National Insurance Producer Registry ("NIPR")
Regulatory Settlement Agreement ("RSA")
Rudmose & Noller Advisors, LLC ("RNA")
Safe Driver Insurance Plan ("SDIP")
Special Investigative Unit ("SIU")
Specially Designated Nationals and Blocked Persons ("SDN")
2020 NAIC Market Regulation Handbook ("the Handbook")

SCOPE OF EXAMINATION

The Commonwealth of Massachusetts Division of Insurance (the "Division") conducted a comprehensive market conduct examination ("examination") of Liberty Mutual Insurance Company (the "Company") for the period January 1, 2020 to December 31, 2020, with a focus on Massachusetts personal lines business. The Division called the examination pursuant to authority in Massachusetts General Laws Chapter ("M.G.L. c.") 175, § 4 and engaged representatives from the firm of Rudmose & Noller Advisors, LLC ("RNA") to complete the examination. The market conduct examination staff of the Division directed, managed, and controlled the examination process.

The Division previously examined the Company for the period January 1, 2013 to December 31, 2013, and issued the report on December 18, 2019. The report included a 2019 Regulatory Settlement Agreement ("RSA") as the Company failed to report at-fault accident determinations to at-fault operators and the Merit Rating Board ("MRB"). The current examination includes procedures to test compliance in accordance with the 2019 RSA.

EXAMINATION APPROACH

The examination employed a tailored approach using the guidance and standards of the *2020 NAIC Market Regulation Handbook* ("the Handbook"), the examination standards of the Division, the Commonwealth of Massachusetts' insurance laws, regulations, bulletins, and applicable Federal laws and regulations. Examiners performed all procedures under the supervision of the Division's market conduct examination staff, including processes and systems that examiners are addressing more efficiently in the Division's current comprehensive financial examination of the Company. The operational areas reviewed under this examination include company operations/management, complaint handling, marketing and sales, producer licensing, policyholder service, underwriting and rating, and claims. This examination report describes the procedures, and results of those procedures performed in the assessed operational areas.

The Handbook provides guidance on optional processes and procedures for use during the examination and includes an approach designed to detect incidents of deficiency through transactional testing. The examination also has an operational and management assessment component. The review promotes an understanding of the critical controls used to operate the business and to meet essential business objectives, including measures designed to ensure compliance with applicable laws and regulations to market conduct activities.

This examination report constitutes a "Report by Test," as described in Chapter 15, Section A of the Handbook. An examination "finding" represents a violation of Massachusetts insurance laws, regulations, or bulletins, while a deficiency with an "observation" recognizes a departure from industry best practice. The recommendations accompanying the observation provide acceptable alternative practices. The Division recommends that Company management evaluate any "finding" or "observation" for applicability to other jurisdictions. When applicable, the Company should take corrective actions in all jurisdictions. All unacceptable or non-compliant practices may not have been discovered or noted in this examination report. Failure to identify improper or non-compliant business practices does not constitute acceptance of such practices. The Company shall report all corrective actions taken to the Division.

EXECUTIVE SUMMARY

This summary provides a high-level overview of the examination results, while the remaining text summarizes all observations and conclusions noted during the examination, highlighting recommendations or required actions. The examination did not result in any recommendations or required actions concerning company operations/management, complaint handling, policyholder service, and underwriting and rating. Moreover, the examination indicated that the Company complies with all tested Company policies, procedures, and statutory requirements addressed in these areas. Further, the tested Company practices appear to meet industry best practices in these areas.

The Division recommends that Company managerial and supervisory personnel from each operational area review the examination report for results relating to their specific responsibilities. The Massachusetts laws, regulations, and bulletins cited in the report are on the Division's website at www.mass.gov/doi and are available for review.

The examination resulted in findings and required actions in marketing and sales, producer licensing, and claims, as listed below.

III. MARKETING AND SALES

Findings: One affinity group premium discount for an automobile mass marketing plan was provided to an individual but was not filed with the Division for prior approval, in violation of M.G.L. c. 175, § 193R and Bulletin 2011-09. The Company subsequently filed the affinity group premium discount with the Division for approval.

Observations: Based on RNA's review and testing, the Company's sales and advertising materials and the related procedures appear to be properly approved, appropriate, and reasonable. Also, except as noted above, the application of affinity group premium discounts for 25 automobile and 25 homeowners policies issued during the examination period met statutory and regulatory requirements.

Required Actions: The Company shall review its policies and procedures for submitting affinity group premium discounts to the Division for prior approval, make any necessary process changes, and provide training to staff about processing such mass marketing discounts.

Subsequent Company Actions: The Company has reviewed its policies and procedures for affinity group premium discounts. The only remaining such discounts in Massachusetts are for employees and retirees, and there are no plans to add other affinity group premium discounts.

IV. PRODUCER LICENSING

Findings: The Company did not provide timely notice to an agent when terminating the agent's appointment as required by M.G.L. c. 175, § 162T. The violation was due to the Company's third-party vendor's processing error. The Company later provided the required notice to the agent.

Observations: The examiners determined that agents held appropriate licenses and appointments at the sale date based on RNA's review and testing of 25 automobile and 25 homeowners policies issued during the examination period. Also, except as noted above, the Company's third-party vendor correctly processed agency appointment terminations and provided timely notice to the Division and the agent.

Required Actions: The Company shall require that the vendor makes changes to the application system to ensure accurate and complete processing of agent appointment terminations, including timely notice to the Division and the agent.

Subsequent Company Actions: The Company verified that the vendor completed updates to the application system and implemented a new monitoring procedure to ensure accurate and complete processing of agent appointment terminations.

VI. CLAIMS

Finding 1: For 30 homeowners claims, the Company failed to issue letters to municipal authorities as required by M.G.L. c. 139, § 3B.

Finding 2: For two homeowners claims and one automobile claim, the Company failed to conduct Department of Revenue intercept checks for tax, child support, or health claim balances due to the Commonwealth of Massachusetts as required by M.G.L. c. 175, §§ 24D, 24E and 24F.

Finding 3: RNA's testing of compliance with the 2019 RSA identified the following:

a) For five at-fault accident determinations, the Company failed to provide a "Notice of At-fault Accident Determination" to at-fault operators, along with their rights to appeal the at-fault accident determinations to the Massachusetts Board of Appeals, as required by 211 CMR 134.00,
b) For 12 at-fault accident determinations, the date of the notice to the MRB could not be determined for timely reporting, as required by 211 CMR 134.00,
c) For nine at-fault accident determinations, the Company failed to provide a "Notice of At-fault Accident Determination" to at-fault operators, along with their rights to appeal the at-fault accident determinations to the Massachusetts Board of Appeals, within 20 business days of reporting to the MRB, as required by 211 CMR 134.00,
d) For one at-fault accident determination, the Company failed to provide a timely "Notice of At-fault Accident Determination" to the at-fault operator, along with the operator's right to appeal the at-fault accident determination to the Massachusetts Board of Appeals, and failed to provide a timely notice to the MRB, within 20 business days of determining fault, as required by 211 CMR 134.00, and
e) For four comprehensive claims, the Company failed to provide notice to the MRB, as required by 211 CMR 134.00,

Thus, for 26 automobile claims, there were one or more failures (cumulative total of 32 failures) related to providing a "Notice of At-fault Accident Determination" to at-fault operators and/or reporting at-fault accident determinations and comprehensive claims to the MRB as required by 211 CMR 134.00. For purposes of calculating the error rate, assuming a maximum of one failure or error per claim, for the 109 tested claims, the error rate was 23.9% and not in compliance with the 3% allowable error rate in the 2019 RSA. The Division acknowledges that the pandemic's impacts on the Company's operations and staffing was likely a factor in the Company's non-compliance with the RSA.

Observation: Based on testing, except as noted above, the Company properly investigated, adjudicated, and paid or denied all claims following contract provisions and statutory requirements.

Required Actions: The Company shall develop new or enhanced policies and procedures for issuance of letters to municipal authorities for property claims and completion of Department of Revenue intercept checks for tax, child support, or health claim balances due to the Commonwealth; provide training to staff

on the new or enhanced policies and procedures, and conduct audits of the effectiveness of the new or enhanced policies and procedures by December 31, 2024 and provide the audit reports to the Division.

The Company shall review its policies and procedures for issuing the "Notice of At-fault Accident Determination" to at-fault operators, along with rights to appeal the at-fault accident determinations to the Massachusetts Board of Appeals, and for reporting of such at-fault accident determinations and comprehensive claims to the MRB. Further, the Company shall make appropriate procedure and monitoring enhancements as needed.

For the five at-fault accident determinations where the Company failed to provide a "Notice of At-fault Accident Determination" to at-fault operators, along with their rights to appeal the at-fault accident determinations to the Massachusetts Board of Appeals, the Company shall provide such a notice to the at-fault operators within 30 days and also indicate that the Company will reimburse the at-fault operator for the $50 appeal fee if he or she elects to appeal the Company's at-fault determination.

The Company shall provide guidance to staff on these procedures and monitoring enhancements, conduct an independent compliance audit of the efficacy of these procedures and monitoring enhancements by September 30, 2024, and provide the audit report to the Division. Also, per the RSA in Appendix B, the Company shall pay a fine of $38,650 and be subject to re-examination by the Division for these matters sometime within the next two years.

Subsequent Actions: For Finding 1, the Company implemented process changes for sending property claim letters to municipalities. Also, the Company developed a daily report identifying all relevant claims for reporting, with letters sent to municipalities within 48 business hours.

For Finding 2, the Company updated its process for documenting lien reviews in the claim files to ensure compliant handling of Department of Revenue intercept requirements.

For Finding 3, the Company has made several process changes. First, the Company is systematically processing the "Notice of At-fault Accident Determination" weekly for all relevant claims with related documentation retained. For claims that are not eligible for automated reporting, the Company developed a dashboard, which includes any exceptions that occurred in the reporting of at-fault accident determinations. Further, the dashboard is integrated into the claim system by generating a work activity to obtain the information needed to report timely. Also, the Company's automated weekly report of claims that require reporting was improved to include the dates that data elements were reported.

Second, the Company has assigned a dedicated employee to review and process vacated at-fault accident determinations by the Board of Appeals including reviewing docket updates, and updating the claim at-fault indicator. Furthermore, this professional distributes the Board of Appeals' decision letter to the operator advising that the Company has removed the at-fault accident determination.

Finally, the Company has made improvements to the vacated at-fault accident determination process.The Company identifies data changes in the claim file that modify at-fault reporting triggers and require additional review to determine whether reporting modifications are needed. Weekly, a dedicated team reviews a report comprised of claims where changes occurred and determines if actions are required to timely address the reporting of each specific claim. All claims identified within this report are to be processed within four business days.

COMPANY BACKGROUND

The Company is a Massachusetts stock insurer and a direct wholly-owned subsidiary of Liberty Mutual Group, Inc. ("LMGI"). The Company was formed in 1912 and converted to a stock insurance company in connection with a mutual holding company reorganization in 2001, which formed Liberty Mutual Holding Company, Inc. ("LMHC"), controlling 100% of LMGI. LMGI is a diversified global group of insurance companies and the fourth-largest property and casualty insurance group in the United States based on 2020 direct written premium. LMGI insurance subsidiaries employ over 45,000 people in more than 29 countries and offer a wide range of products and services, including insurance for automobiles, homeowners, commercial multiple-peril, general liability, surety, workers' compensation, global specialty, group disability, and assumed reinsurance.

During the period of the examination, LMGI conducted its business through two strategic business units: Global Retail Markets, including personal and small commercial businesses, and Global Risk Solutions, including commercial, specialty, and reinsurance. In Massachusetts, the Company sells personal lines, automobile and homeowners coverage primarily through employee agents, direct phone, and internet marketing. Third-party agents also sell some coverage.

The Company maintains a financial strength rating of "A" (Excellent) from A.M. Best. The following financial information is as of or for the year ended December 31, 2020:

Admitted assets	$58.0 billion
Statutory surplus	$19.0 billion
Direct written premium	$2.6 billion
Massachusetts direct written premium	$324.7 million

The Division determined the key objectives of this examination with emphasis on the following areas.

I. COMPANY OPERATIONS/MANAGEMENT

Corporate Governance:

Summary of Company Policies and Procedures:

- The LMHC Board of Directors ("Board") is ultimately responsible for all governance and compliance matters.
- The Chief Compliance Officer ("CCO") reports on the activities of the Global Compliance and Ethics Department to the Chief Executive Officer and the Chief Legal Officer. The CCO also reports periodically to the Board's Risk Committee, annually to the Board, and monthly regarding significant issues to the Audit Committee. Also, the General Counsel provides annual updates to the Board regarding litigation.
- The Global Compliance and Ethics Department includes approximately 170 global compliance staff focused on regulatory risk assessment, business ethics, code of conduct compliance, compliance training, coordination of market conduct examinations, and enterprise compliance strategy. In addition, approximately 100 compliance professionals within the strategic business units are responsible for compliance training and monitoring, with dotted-line reporting to the CCO.
- LMHC and the Company use a three-lines-of-defense approach to risk management, where the business units are the first line and are responsible for day-to-day risk management. Corporate Enterprise Risk Management is the second line and sets the risk management framework and standards for risk identification, assessment, appetite, and tolerance. The second line also monitors results compared to standards. Global Internal Audit is the third line and completes independent assessments of the business units and concludes on the overall effectiveness of risk management processes. Also, the Global Compliance and Ethics Department supports all three lines of defense and collaborates with Global Internal Audit to recommend areas of potential focus. Both areas report their findings to the Board independently.

Examination Procedures Performed: RNA interviewed Company personnel responsible for corporate governance, compliance, internal audit, and market conduct matters. RNA also reviewed Board meeting minutes and selected internal audit reports.

Examination Conclusions: The Company has documented its corporate decisions in its Board minutes and has adopted policies and procedures to ensure that appropriate audits are conducted timely with documented results. Compliance activities are managed globally and embedded within the business units' operational processes.

Anti-fraud Efforts:

Summary of Company Policies and Procedures:

- The Company has a written anti-fraud plan that summarizes anti-fraud efforts and requires that management and employees take reasonable precautions to prevent and detect potential insurance fraud.
- The Special Investigative Unit ("SIU") includes approximately 170 employees and investigators. The SIU investigates and differentiates singular incidents, such as theft or arson, and complex cases involving suspected fraud and crime rings. Incidents, including claims, are referred to the SIU for investigation based on red flags that claims adjusters or underwriting staff are trained to identify. The SIU is also responsible for coordinating with the Massachusetts Insurance Fraud Bureau in suspected fraud cases to assist with criminal investigation and prosecution. The SIU includes a quality assurance function, where results are summarized and reported monthly to management and used for employee

training and staff performance evaluations. The SIU staff also participates extensively in training to increase fraud awareness and prevention.
- The Company reports all automobile theft claims to the National Insurance Crime Bureau through the Insurance Services Office ("ISO").
- The Company is required to meet SIU performance standards set forth by Commonwealth Automobile Reinsurers ("CAR"), which serves as the residual market and statistical agent for automobile insurance in Massachusetts.
- The Company has implemented Office of Foreign Asset Control compliance initiatives, including searches of the Specially Designated Nationals and Blocked Persons ("SDN") database for any applicants, policyholders, claimants, or vendors included in the SDN database.
- The Company requires employees to attest three times a year, during mandatory training sessions, that they follow the code of conduct, including the conflict-of-interest policy. Also, all officers, directors, and selected responsible employees must complete an annual conflict of interest disclosure form.

Examination Procedures Performed: RNA interviewed Company personnel responsible for anti-fraud initiatives, compliance procedures, and conflict-of-interest policies. In addition, RNA reviewed the anti-fraud plan and Company policies and procedures to address anti-fraud initiatives within testing of the underwriting, rating, and claims areas.

Examination Conclusions: The Company has adopted reasonable procedures related to anti-fraud initiatives, compliance procedures, and conflict-of-interest policies. Based upon RNA's testing within the underwriting, rating, and claims areas, it appears that the Company has reasonably implemented anti-fraud initiatives to detect, prevent, and investigate fraudulent insurance acts.

Record Retention:

Summary of Company Policies and Procedures:

- The Company has adopted extensive record retention requirements for various documents and records.
- The requirements include record management maintenance including disposal guidelines and document-specific retention timelines.

Examination Procedures Performed: RNA obtained a summary of the Company's record retention policies and procedures and evaluated them for reasonableness.

Examination Conclusions: The Company's record retention policies appear reasonable and sufficient.

Privacy Compliance:

Summary of Company Policies and Procedures:

- The Company's privacy team within the Global Compliance and Ethics Department, led by the Chief Privacy Officer, are responsible for ensuring compliance with privacy laws and regulations, and work with the business units to ensure ongoing compliance.
- The Company provides the required privacy notice annually to all policyholders.
- The Company's privacy notice states that it does not sell customer information to mass marketing companies. The notice further describes to whom customer information may be disclosed, including but not limited to, third parties that provide services for the Company, its affiliates, and others that provide marketing services on the Company's behalf, as part of a joint marketing relationship. Thus, based on the Company's practices, an opt-out to consumers is not required.
- The Company's internet privacy policy and the privacy notice are disclosed on the Company's website.
- The Company discloses information following statutory provisions to regulators, law enforcement agencies, and anti-fraud organizations.
- The Company has implemented information technology security policies and practices to safeguard non-public personal financial and health information.
- The Company restricts access to electronic and operational areas containing non-public personal financial, and health information to authorized individuals, and strictly monitors access procedures.

Examination Procedures Performed: RNA interviewed Company personnel responsible for privacy compliance and reviewed supporting documentation. Further, RNA

a) reviewed underwriting and rating, and claims documentation for evidence that the Company improperly collected, used, or disclosed non-public personal financial, and health information, and
b) sought evidence that the Company improperly disclosed non-public personal financial, and health information in conjunction with such testing.

Examination Conclusions: Based on RNA's review and testing, the Company's privacy practices appear to meet Massachusetts and Federal statutory and regulatory requirements.

Annual Market Conduct Reporting:

Summary of Company Policies and Procedures:

- The Company's policy administration and claims systems compile and retain underwriting and rating, policyholder service, and claim data for inclusion in the annual financial reporting to the Division, and for inclusion in the National Association of Insurance Commissioners ("NAIC") Market Conduct Annual Statement ("MCAS").

Examination Procedures Performed: RNA interviewed personnel responsible for underwriting and rating, policyholder service, and claims processing. In addition, RNA reviewed the 2020 annual financial reporting submitted to the Division, the examination data, and the Company's 2020 Massachusetts MCAS filing.

Examination Conclusions: Based upon RNA's review and testing, the 2020 Massachusetts MCAS filing appears reasonably complete and accurate.

II. COMPLAINT HANDLING

Summary of Company Policies and Procedures:

- The Company considers a complaint to be any written communication expressing a grievance and any oral dissatisfaction from a consumer transcribed into writing by Company personnel. The Presidential Service Team maintains the electronic complaint register and manages the complaint-handling process. Team members research personal lines complaints and respond directly to the party providing the complaint.
- The goal for responding to non-regulatory personal lines complaints is five business days from receipt of the complaint, with regulatory complaints responded to following required regulatory timeframes.
- Complaint statistics are compiled from complaint register data to analyze trends, and report complaint results to business unit management. An annual report describing the activities of the Presidential Service Team and complaint statistics is prepared and provided to the Company's Corporate Secretary.
- The Company monitors social media for any expressions of dissatisfaction. In such cases, staff contact the consumer to obtain an an off-line written summary, which they refer to the appropriate parties for handling.

Examination Procedures Performed: RNA interviewed Company staff, including management personnel responsible for complaint handling. RNA reviewed the Company's complaint procedures and selected 40 complaints from 2020 and 2021 for testing.

Examination Conclusions: Based on RNA's review and testing, the Company's complaint register and the complaint procedures meet Massachusetts statutory and regulatory requirements. The Company appears to process complaints in a proper and timely manner.

III. MARKETING AND SALES

Summary of Company Policies and Procedures:

- All sales and advertising materials are tracked and maintained in an electronic database, which includes a review date and an effective date.
- The Company uses television, radio, printed media, digital media, and billing inserts for personal lines marketing to the public and purchases marketing lists for direct mail solicitation to consumers. Teams comprised of product experts, marketing staff, and legal advisors review, approve, and document all advertising and direct marketing materials before use.
- The Company offers mass marketing plans to individual members of affinity groups, including employees or other community groups. The Company files affinity group premium discounts with the Division for prior approval per statutory and regulatory requirements.
- Company policy prohibits unfair discrimination in applying affinity group premium discounts and in applying its general rating methodology, following statutory and regulatory requirements for mass marketing plans.

Examination Procedures Performed: RNA interviewed Company personnel responsible for reviewing, approving, and maintaining sales and advertising materials and obtained the supporting documentation for procedures performed by personnel. Further, RNA

a) tested ten (10) general sales and advertising materials used in Massachusetts for supervisory approval, appropriateness, and reasonableness,
b) tested 18 direct mail marketing materials used in Massachusetts for supervisory approval, appropriateness, and reasonableness,
c) reviewed sales and marketing materials identified in the testing of 25 automobile and 25 homeowners policies issued during the examination period for evidence of the use of unapproved sales and marketing materials and
d) evaluated the application of affinity group premium discounts as part of testing 25 automobile and 25 homeowners policies issued during the examination period.

Examination Conclusions:

Findings: One affinity group premium discount for an automobile mass marketing plan was provided to an individual, but was not filed with the Division for prior approval, in violation of M.G.L. c. 175, § 193R and Bulletin 2011-09. The Company subsequently filed the affinity group premium discount with the Division for approval.

Observations: Based on RNA's review and testing, the Company's sales and advertising materials and the related procedures appear to be properly approved, appropriate, and reasonable. Also, except as noted above, the application of affinity group premium discounts for 25 automobile and 25 homeowners policies issued during the examination period met statutory and regulatory requirements.

Required Actions: The Company shall review its policies and procedures for submitting affinity group premium discounts to the Division for prior approval, make any necessary process changes, and provide training to staff about processing such mass marketing premium discounts.

Subsequent Company Actions: The Company has reviewed its policies and procedures for affinity group premium discounts. The only remaining such discounts in Massachusetts are for employees and retirees, and there are no plans to add other affinity group premium discounts.

IV. PRODUCER LICENSING

Summary of Company Policies and Procedures:

- The Company has three distribution channels in Massachusetts for personal lines products, including employee agents in field offices and call-center direct-response employee agents who handle in-bound telephone and internet inquiries. The Company also contracts with firms for services from third-party sales representatives.
- The agency contracts include standard terms and conditions that address agent authorities, premium billing, termination provisions, ownership of expirations, indemnification, commissions, notice procedures, privacy requirements, compliance with Federal and Massachusetts laws, and producer licensure requirements.
- The Company processed agent appointments and appointment terminations through the Division's Online Producer Appointment System until early 2022, when the System was terminated by the Division, and replaced with the NAIC's National Insurance Producer Registry ("NIPR"). The Company then began using NIPR to process Massachusetts agent appointments and terminations.
- The Company maintains a database of all of its employee agents' license and appointment expiration dates. It uses a third-party vendor system that interfaces with NIPR, to track licensing, agent appointments, and agent appointment terminations.
- The Company uses NIPR for reporting agent appointments terminated for-cause, including the reason for the termination. However, it may send additional related information to the Divison by letter. All agents receive notices when the Company terminates an agent's appointment.
- The Company monitors compliance with continuing education requirements to ensure that all employee agents complete required producer continuing education.

Examination Procedures Performed: RNA interviewed individuals responsible for producer contracting and processing of agent appointments and terminations. Further, RNA

a) tested 25 automobile and 25 homeowners policies issued during the examination period to determine whether the sale agents were properly licensed and appointed at the sale date and
b) tested ten (10) agency appointment terminations for evidence of proper termination procedures, including timely notice to the Division and the agent.

Examination Conclusions:

Findings: The Company did not provide timely notice to an agent when terminating the agent's appointment as required by M.G.L. c. 175, § 162T. The violation was due to the Company's third-party vendor's processing error. The Company later provided the required notice to the agent.

Observations: The examiners determined that agents held appropriate licenses and appointments at the sale date based on RNA's review and testing of 25 automobile and 25 homeowners policies issued during the examination period. Also, except as noted above, the Company's third-party vendor correctly processed agency appointment terminations and provided timely notice to the Division and the agent.

Required Actions: The Company shall require that the vendor makes changes to the application system to ensure accurate and complete processing of agent appointment terminations, including timely notice to the Division and the agent.

Subsequent Company Actions: The Company verified that the vendor completed updates to the application system and implemented a new monitoring procedure to ensure accurate and complete processing of agent appointment terminations.

V. POLICYHOLDER SERVICE

Insured-Requested Cancellations and Service Requests:

Summary of Company Policies and Procedures:

- Automobile policyholders may cancel their policies only after filing a Form 2A "Notice of Transfer of Coverage", providing proof that the vehicle has been taken out of service, or submitting evidence that they have moved out of Massachusetts.
- Automobile and homeowners policyholders may cancel their policies by contacting an employee-agent through the Company's call center, or the third-party sales representative.
- The Company will refund the insured any unearned premium based on the cancellation effective date. The Company provides premium refunds on a short-rate basis for automobile policy cancellations and a pro-rata basis for homeowners policy cancellations.
- Customer service representatives process billing matters, name changes, mortgagee changes, mailing address changes, contact information changes, and claims history requests. Employee-agents and third-party sales representatives process changes in policy coverage or endorsements.
- The Company has developed performance and workflow standards for customer service requests and policy changes. The Company records calls and supervisors listen to selected calls for quality and coaching purposes. Key performance metrics are measured and include speed-to-answer, abandonment rate, and average handle time.

Examination Procedures Performed: RNA interviewed individuals responsible for policyholder service transaction processing. Further, RNA tested ten (10) automobile and ten (10) homeowner-insured-requested cancellations from the examination period to determine whether the Company processed the cancellations accurately and timely.

Examination Conclusions: Based on RNA's testing, the Company's handling of insured-requested cancellations meets contractual provisions and Massachusetts statutory and regulatory requirements.

Premium Billing and Reinstatement Practices:

Summary of Company Policies and Procedures:

- The Company directly bills premiums to insureds, who can pay the premium in full or make payments in ten installments. Insureds may pay by check, using a credit or debit card, by electronic funds transfer from a bank account, by phone, or through the Company's website.
- Premium billings are sent approximately 20 days prior to the payment due date. If not paid, a second notice is sent approximately 10 days after the due date. The insured then has an additional 15 days to pay homeowners premiums and an additional 25 days to pay automobile premiums. If the insured does not make the payment, the Company cancels the policy.
- Automobile and homeowners policyholders may reinstate lapsed policies by paying the premium due. If the lapse period exceeds five days, the policyholder must confirm that there were no claims or losses in the lapse period.

Examination Procedures Performed: RNA interviewed individuals responsible for premium billing and reinstatements and reviewed billing notice dates in conjunction with testing 25 automobile and 25 homeowners policies issued during the examination period.

Examination Conclusions: Based on RNA's review, the Company's premium billing and reinstatement procedures meet contractual provisions and Massachusetts statutory and regulatory requirements.

Returned Mail, Unclaimed Checks and Escheatment Practices:

Summary of Company Policies and Procedures:

- For returned mail with a premium refund check, the Company investigates the address used and determines how best to return the funds to the consumer. The refund can be applied to the consumer's credit or debit card on file, mailed to a better address, or applied to another policy premium of the consumer.
- For returned mail with a claim check, the Company investigates the reason for the return and determines how best to provide the claim payment to the consumer. Additionally, automated letters are sent to the claimant if the check remains un-cashed after 95 days, and sent again if the check remains un-cashed after 125 days.
- When premium refund and claim checks are outstanding for over one year, the Company adds the uncashed check to the Company's unclaimed property listing. An addition to the unclaimed property list automatically triggers additional efforts to locate the owner through written communications.
- Once these efforts are exhausted, and after three years, the funds are deemed escheatable under Massachusetts Law. The Company annually reports escheatable funds to the Massachusetts State Treasurer by November 1 as required by statute.

Examination Procedures Performed: RNA interviewed individuals responsible for returned mail, unclaimed checks, and escheatment and reviewed supporting information, including the 2020 escheatment filing with the Massachusetts State Treasurer.

Examination Conclusions: Based on RNA's review, the Company's handling of returned mail, unclaimed checks, and escheatment meets Massachusetts statutory and regulatory requirements.

VI. UNDERWRITING AND RATING

Personal Insurance Sales, Underwriting, and Rating Practices:

Summary of Company Policies and Procedures:

- Consumers purchase personal lines coverage through employee agents in local offices, the call center, the Company's website, or third-party sales representatives of firms under agency contracts.
- The Company uses automated automobile underwriting methods with most applications accepted. The underwriting system interfaces with the Massachusetts Registry of Motor Vehicles System to obtain current information on Massachusetts and out-of-state operators.
- The Company also requests loss information from the Comprehensive Loss Underwriting Exchange ("CLUE"). The Company does not use credit information in its automobile underwriting and rating.
- The Company uses the standard Automobile Insurers Bureau of Massachusetts automobile insurance policy and the standard Massachusetts merit rating system, known as the Safe Driver Insurance Plan ("SDIP") in its rating process. The Company mails, or electronically sends, the automobile insurance policy and the buyer's guide to insureds.
- Automobile insurance premium rates are approved by the Division prior to use. Rating criteria include the SDIP, years licensed, driving history, operator experience, garaging location, and other factors.
- Homeowners insurance policies are based on ISO forms and rates approved by the Division prior to use. The Company mails or electronically sends the homeowners insurance policy to insureds.
- LMGI uses credit-based insurance scores to place homeowners insurance applicants in one of three tiers, with the Company's insurance policies used for those applicants in the middle tier.
- Homeowner risk underwriting is automated with most insurance applications accepted, electronically rated, and processed using standard underwriting algorithms. The Company uses the CLUE loss history as part of the underwriting process, and it will not accept homeowners insurance applications for certain coastal risks, risks where the home or property has unacceptable conditions, homes with no prior insurance coverage or that are vacant, or for risks with excessive loss history. Inspections of the home and property are often conducted for new coverage shortly after the risks are bound.
- The Company uses a homeowners premium rating methodology that prices coverage by peril. Rating criteria include territory, coverage amount and type, property age, protection class, structure type, security and safety feature discounts, higher deductibles, and other factors. The Division approves homeowners insurance premium rates prior to use.
- The Company's compliance units complete periodic claim reviews to assess compliance with statutory and regulatory requirements, and to monitor remediation of findings noted in market conduct examinations.
- The Company has developed testing procedures for statistical reporting to ensure the accuracy and completeness of key statistical data. The Company reports automobile premium statistical data to CAR monthly, and homeowners premium data to ISO quarterly. CAR and ISO require reconciliation between statistical data and financial data to ensure accurate and complete data.

Examination Procedures Performed: RNA interviewed Company personnel responsible for the underwriting and rating processes. RNA selected 25 automobile and 25 homeowners policies issued during the examination period, to verify applications are processed properly and timely, and that the policy's premium and discounts complied with statutory and regulatory requirements and approved rates.

Examination Conclusions: Based on RNA's testing, the Company issues personal lines policies in accordance with statutory and regulatory requirements. The premium rates charged and the discounts applied for the tested policies comply with its policies, procedures, statutory requirements, and rates approved by the Division.

Vacated At-Fault Accident Determination Practices:

Summary of Company Policies and Procedures:

- The Company has procedures to ensure that an at-fault operator, using Massachusetts standards of fault, and when the claim value exceeds $1,000, is provided a "Notice of At-fault Accident Determination." The notice indicates that the at-fault accident will impact the operator's SDIP, and that the operator may appeal the at-fault determination to the Division's Board of Appeals by submitting the standard appeal form on the back of the notice. The at-fault accident determinations are reported electronically to the MRB twice each week. The Company voluntarily reports at-fault accident determinations to the CLUE weekly.
- For an operator appealing the at-fault accident determination, a Board of Appeals schedules a hearing, where the operator can present the appeal. The Company sends a representative to the hearing to support the Company's at-fault determination. The Board of Appeals hears the case and rules whether the at-fault determination should be upheld or vacated, with notice of the hearing result provided to the operator and to the Company.
- The MRB communicates the Board of Appeals' vacated decisions to the Company through the MRB's electronic "Notice to Re-inquire", and the Board of Appeals also electronically sends the hearing dockets with the vacated decisions to the Company's assigned contacts. Then, the Company sends a "Surcharge Revocation Notice" to the operator indicating that the surcharge has been vacated and reversed.
- The Company has a dedicated team to manage Massachusetts vacated at-fault accident determinations. The team will update the at-fault indicator in the Company's claim system for the vacated at-fault accident determination and electronically forward the vacated at-fault accident determination each week to the CLUE.
- When the vacated at-fault accident determination results in a premium reduction from the original surcharge, the team will process that premium change back to the effective date of the surcharge.

Examination Procedures Performed: RNA interviewed Company personnel responsible for processing vacated at-fault accident determinations. RNA selected and tested 40 vacated at-fault accident determinations by the Board of Appeals to ensure timely and accurate reporting. RNA's testing also verified that vacated at-fault accident determinations were timely reported to the CLUE.

Examination Conclusions: Based on RNA's testing, the Company timely and accurately processed vacated at-fault determinations by the Board of Appeals, and timely reported such vacated at-fault accident determinations to the CLUE.

Underwriting Declination Practices:

Summary of Company Policies and Procedures:

- Applications for automobile insurance are generally not declined unless the applicant does not hold a valid operator's license.
- The Company may not accept applications for homeowners insurance for certain coastal risks, for risks where the home or property has unacceptable conditions, for homes with no prior insurance coverage or that are vacant, or for risks with excessive loss history. Inspections of the home and property are often conducted for new coverage shortly after the risks are bound.
- The Company uses credit-based insurance scores to place homeowners insurance applicants in one of three tiers, with the Company's insurance policies offered for those applicants in the middle tier. As applicants are not denied based on credit, the Company does not need to provide a Fair Credit Reporting Act Adverse Action Notice to applicants denied coverage.

Examination Procedures Performed: RNA interviewed Company personnel responsible for the underwriting and rating processes. RNA selected 25 declined homeowners applications to verify that the Company's underwriting guidelines supported each declination and were consistently applied. The Company reported that no automobile insurance applications were declined during the examination period.

Examination Conclusions: Based on RNA's testing, the homeowners applications declined were reasonable, and decisions to decline were based on the Company's underwriting guidelines consistently applied.

Underwriting Cancellation and Non-Renewal Practices:

Summary of Company Policies and Procedures:

- Company-initiated underwriting cancellations of automobile policies are rare and usually result from the operator's license suspension or revocation or material misrepresentation contained in the insurance application. Company-initiated underwriting cancellations of homeowners policies are generally a result of home or property deficiencies, changes in the risk noted through inspection, or material misrepresentation in the insurance application.
- All underwriting cancellation notices are mailed to insureds at least 20 days prior to the effective cancellation date, with the specific reason for the cancellation identified on the notice.
- Approximately 70-100 days prior to policy expiration, the underwriting staff completes an automated review of the expiring risks for possible non-renewal. Automobile policies may be non-renewed for excessive losses or driving violations. Homeowners policies may be non-renewed for home or property condition, renovations in process, or excessive losses. All non-renewal notices are mailed to insureds at least 45 days prior to the non-renewal effective date, with the specific reason for the non-renewal identified on the notice.

Examination Procedures Performed: RNA interviewed Company personnel responsible for the underwriting process. Additionally, RNA tested two automobile and eight homeowners company-initiated underwriting cancellations and 20 automobile and eight homeowners non-renewals for compliance with the Company's underwriting guidelines and regulatory requirements.

Examination Conclusions: Based on RNA's testing, the Company provided insureds with timely and adequate underwriting cancellation and non-renewal notices, with the specific reasons on the notices properly disclosed following regulatory requirements. The specific reasons were reasonable and consistent with the Company's underwriting guidelines.

VI. CLAIMS

Claims Handling Practices:

Summary of Company Policies and Procedures:

- The Company's personal lines claims process is organized into four claims functions and in supplemental service units, with approximately 9,000 employees in multiple locations. The four claims functions include Auto Physical Damage, Property, No-fault Medical/Personal Injury Protection, and Casualty. Each function is structured in geographical zones and/or in segments for property claims including "Fast Path" for small easily-settled claims, the "Desk Adjuster-Field Group" for moderately-complex claims, "Large Loss" for complex claims over $50,000, and "Catastrophe" for catastrophe claims. Supplemental service units are nationwide and include the "Loss Notice Unit", the SIU, and other standardized functions. The Company uses third-party vendors for field claims adjusting, windshield claims, total automobile loss valuations, claims legal defense, towing, medical provider invoice reviews, salvage, and subrogation.
- Claims handling employees within the functions are organized into teams, with a supervisory structure to ensure settlement authority limits and procedures are followed. Each team has at least one claims manager that reports to claims senior management. Most claims employees work remotely.
- The electronic web-based workflow system processes documented claims, and the system includes claim file documentation, history notes, diary notes, and document storage and retrieval.
- Insured claimants typically reported losses through the Company's 800 telephone number, mobile application, website, fax, or contact from an attorney. Essential information such as the claimant's name, insurer, policy number, accident date, and location is entered into the claim system to create a claim file. Claims are assigned to adjusters based upon the nature of the claim, and claims adjusters are to contact claimants on the same business day or the next business day.
- Claimants may have their vehicle damage evaluated in several ways. The claimant may use any repair shop or the Company's drive-in appraisal facilities to assess the damage. The claimant is encouraged to use a preferred repair shop that participates in the Company's Guaranteed Repair Network, as the Company guarantees the repair work. Also, a field adjustor can visit the claimant to appraise the damage. For small damage claims, the claimant may submit pictures of the damage to the Company for evaluation.
- The Company investigates automobile claims to assess the validity of coverage. The Company follows standard industry and CAR claim handling guidelines in its claim investigations, including Massachusetts standards of fault. In addition, staff use information from police reports, witness statements, photographic evidence, and consumer reporting agencies to evaluate the claim.
- The Company has procedures to ensure that an at-fault operator, using Massachusetts standards of fault, and when the claim value exceeds $1,000, is provided a "Notice of At-fault Accident Determination." The notice indicates that the at-fault accident will impact the operator's SDIP, and that the operator may appeal the at-fault accident determination to the Division's Board of Appeals by submitting the standard appeal form on the back of the notice. The at-fault accident determinations are reported electronically to the MRB twice each week. The Company voluntarily reports at-fault accident determinations to the CLUE weekly.
- When the Massachusetts vehicle is determined to be a total loss, where the cost of repairs plus the salvage value equals or exceeds the vehicle's pre-accident value, the Company notifies the claimant of the total loss determination. The Company will request a valuation of the vehicle from vendor, "CCC One", which locates comparable vehicles, usually within 15 miles or less of the claimant, to determine the fair market value of the total loss vehicle, which generally equates to a current retail price. The valuation process is summarized in a report, which includes comparable vehicles located in the area, adjusted for mileage, vehicle condition, and vehicle upgrades, along with a "National Automobile Dealers Association average value" for the total loss vehicle and a recommended settlement value for

the loss. The Company's claim staff reviews the "CCC One Valuation Report" to ensure that the assessment and recommendation are reasonable.

- The Company first determines the fair value of the total loss vehicle and offers a settlement for that amount to the claimant with a copy of the "CCC One Valuation Report" as support for the settlement offer. If the claimant is not satisfied with the settlement offer, the claimant may request a reassessment and/or provide the Company with any other valuation information for consideration until the parties agree on a settlement value.
- The Company uses Mitchell's "Claims IQ" tool to assist adjusters with assessing bodily injury claims. The Company's policy is to make settlement offers and counter-offers between the low and high settlement estimates, and to track all revisions to the estimates. Adjusters are trained to complete Department of Revenue intercept checks for tax, child support, or health claim balances due to the Commonwealth of Massachusetts according to statutory requirements, with the supporting documentation contained in the claim file. Liability releases are required from third-party bodily injury claimants. Additionally, the Company reports all closed automobile bodily injury claims to the "Automobile Insurers Bureau of Massachusetts Detail Claims Database" as required.
- The Company's procedures require that building property damage claims estimated to be over $1,000 are timely reported to municipal authorities per statutory requirements.
- Typically the Company settles property damage claims on a depreciated cost basis. Insured claimants with replacement cost coverage have two years to collect supplemental payments for amounts supporting replacement cost once they indicate that they intend to replace the property and provide evidence that they have replaced or fully-repaired the property.
- For insureds potentially eligible for deductible reimbursement upon successful subrogation to an at-fault party, the adjuster is to monitor subrogation collection efforts, so that the Company can reimburse the insured's deductible. Third-party property damage claimants are generally not required to sign a liability release unless there is a settlement dispute or real property claims exceeding a dollar threshold.
- "Reservation of rights" and "excess of loss letters" are issued with supervisory approval when potential coverage issues arise. Also, claims staff make underwriting risk referrals to the underwriting department as necessary.
- The Company has established criteria for supervisors and managers' periodic reviews of the adjusters' work, which are documented in the claim system. Claims supervisors maintain a diary system to review the claims periodically. In addition, supervisors encourage interaction with claims representatives and facilitate problem escalation and training/mentoring. The Company also utilizes an informal "claims roundtable" of experienced claim staff to review claims in the process of settlement, or recently settled claims with subjective evaluations or complex issues. In addition, dashboard reports for daily, weekly, and monthly claims reporting of key service and quality metrics are produced and monitored.
- The Company's claims quality improvement program includes monthly random audits of two claims per adjuster, random monitoring of adjusters' phone calls with claimants, and reviews of automobile physical damage appraisals. The quality improvement results are documented and scored in checklists, with results reported for each adjuster for use by claims management as part of the employee training and performance evaluation.
- For automobile claims, daily claim statistical data is accumulated, and summary data is provided monthly to CAR. Any claim statistical errors exceeding standard CAR tolerance levels must be corrected. The Company is also subject to periodic CAR audits. ISO serves as the statistical reporting agent for homeowners claims, and that data is submitted to ISO quarterly in the required format.
- The Company conducts post-claim satisfaction surveys of first-party claimants. In addition, the Company participates in J.D. Power Associates industry satisfaction surveys, which query customers about their claims experience. The survey results are summarized for management reporting with any negative comments tracked, addressed, and monitored.

Examination Procedures Performed: RNA interviewed Company personnel responsible for the claims handling. Further, RNA

a) reviewed summary results of the claims quality improvement program,
b) selected 59 automobile claims, including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected 50 homeowners claims, including 32 paid claims, eight denied or closed-without-payment claims, and ten (10) open claims for testing. RNA verified the Company properly investigated, adjudicated, and paid or denied all claims following contract provisions and regulatory requirements,
c) selected 50 additional automobile claims to ensure that the Company provided a "Notice of At-fault Accident Determination" to at-fault operators and timely reported such at-fault accident determinations to the MRB, in accordance with the 2019 RSA.

Examination Conclusions:

Finding 1: For 30 homeowners claims, the Company failed to issue letters to municipal authorities as required by M.G.L. c. 139, § 3B.

Finding 2: For two homeowners claims and one automobile claim, the Company failed to conduct Department of Revenue intercept checks for tax, child support, or health claim balances due to the Commonwealth of Massachusetts as required by M.G.L. c. 175, §§ 24D, 24E and 24F.

Finding 3: RNA's testing of compliance with the 2019 RSA identified the following:

a) For five at-fault accident determinations, the Company failed to provide a "Notice of At-fault Accident Determination" to at-fault operators along with their rights to appeal the at-fault accident determinations to the Massachusetts Board of Appeals, as required by 211 CMR 134.00,
b) For 12 at-fault accident determinations, the date of the notice to the MRB could not be determined for timely reporting, as required by 211 CMR 134.00,
c) For nine at-fault accident determinations, the Company failed to provide a "Notice of At-fault Accident Determination" to at-fault operators along with their rights to appeal the at-fault accident determinations to the Massachusetts Board of Appeals within 20 business days of reporting to the MRB, as required by 211 CMR 134.00,
d) For one at-fault accident determination, the Company failed to provide a timely "Notice of At-fault Accident Determination" to the at-fault operator along with the operator's right to appeal the at-fault accident determination to the Massachusetts Board of Appeals and failed to provide a timely notice to the MRB, within 20 business days of determining fault, as required by 211 CMR 134.00, and
e) For four comprehensive claims, the Company failed to provide notice to the MRB, as required by 211 CMR 134.00,

Thus, for 26 automobile claims, there were one or more failures (cumulative total of 32 failures) related to providing a "Notice of At-fault Accident Determination" to at-fault operators and/or reporting at-fault accident determinations and comprehensive claims to the MRB as required by 211 CMR 134.00. For purposes of calculating the error rate, assuming a maximum of one failure or error per claim, for the 109 tested claims, the error rate was 23.9% and not in compliance with the 3% allowable error rate in the 2019 RSA. The Division acknowledges that the pandemic's impacts on the Company's operations and staffing was likely a factor in the Company's non-compliance with the RSA.

Observation: Based on testing, except as noted above, the Company properly investigated, adjudicated, and paid or denied all claims following contract provisions and statutory requirements.

Required Actions: The Company shall develop new or enhanced policies and procedures for issuance of letters to municipal authorities for property claims and completion of Department of Revenue intercept checks for tax, child support, or health claim balances due to the Commonwealth; provide training to staff on the new or enhanced policies and procedures, and conduct audits of the effectiveness of the new or enhanced policies and procedures by December 31, 2024, and provide the audit reports to the Division.

The Company shall review its policies and procedures for issuing the "Notice of At-fault Accident Determination" to at-fault operators, along with rights to appeal the at-fault accident determinations to the Massachusetts Board of Appeals, and for reporting of such at-fault accident determinations and comprehensive claims to the MRB. Further, the Company shall make appropriate procedure and monitoring enhancements as needed.

For the five at-fault accident determinations where the Company failed to provide a "Notice of At-fault Accident Determination" to at-fault operators, along with their rights to appeal the at-fault accident determinations to the Massachusetts Board of Appeals, the Company shall provide such a notice to the at-fault operators within 30 days, and also indicate that the Company will reimburse the at-fault operator for the $50 appeal fee, if he or she elects to appeal the Company's at-fault determination.

The Company shall provide guidance to staff on these procedure and monitoring enhancements, conduct an independent compliance audit of the effectiveness of these procedures and monitoring enhancements by September 30, 2024, and provide the audit report to the Division. Also, per the RSA in Appendix B, the Company shall pay a fine of $38,650 and be subject to re-examination by the Division for these matters sometime within the next two years.

Subsequent Actions: For Finding 1, the Company implemented process changes for sending property claim letters to municipalities. Also, the Company developed a daily report identifying all relevant claims for reporting, with letters sent to municipalities within 48 business hours.

For Finding 2, the Company updated its process for documenting lien reviews in the claim files to ensure compliant handling of Department of Revenue intercept requirements.

For Finding 3, the Company has made several process changes. First, the Company is systematically processing the "Notice of At-fault Accident Determination" weekly for all relevant claims with related documentation retained. For claims that are not eligible for automated reporting, the Company developed a dashboard, which includes any exceptions that occurred in the reporting of at-fault accident determinations. Further, the dashboard is integrated into the claim system by generating a work activity to obtain the information needed to report timely. Also, the Company's automated weekly report of claims that require reporting was improved to include the dates that data elements were reported.

Second, the Company has assigned a dedicated employee to review and process vacated at-fault accident determinations by the Board of Appeals including reviewing docket updates, and updating the claim at-fault indicator. Furthermore, this professional distributes the Board of Appeals' decision letter to the operator advising that the Company has removed the at-fault accident determination.

Finally, the Company has made improvements to the vacated at-fault accident determination process.The Company identifies data changes in the claim file that modify at-fault reporting triggers and require additional review to determine whether reporting modifications are needed. Weekly, a dedicated team reviews a report comprised of claims where changes occurred and determines if actions are required to timely address the reporting of each specific claim. All claims identified within this report are to be processed within four business days.

SUMMARY

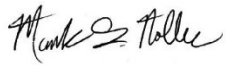
Based upon the procedures performed in this examination, RNA has reviewed and tested company operations/management, complaint handling, marketing and sales, producer licensing, policyholder service, underwriting and rating, and claims as set forth in the Handbook, the examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations, and bulletins.

ACKNOWLEDGEMENT

This acknowledgment is to certify that the undersigned is duly qualified and, in conjunction with RNA, applied certain agreed-upon procedures to the Company's corporate records for the Division to examine the Company.

The undersigned's participation in this examination as the Examiner-In-Charge encompassed responsibility for the coordination and direction of the examination performed, which was in accordance with, and substantially complied with, those standards established by the NAIC and the Handbook. In addition, this participation consisted of involvement in the planning (development, supervision, and review of agreed-upon procedures), communication, and status reporting throughout the examination, administration, and preparation of the examination report.

The Division acknowledges the cooperation and assistance extended to all examiners by the officers and employees of the Company during the examination.



_____

Mark G. Noller, CIE
Rudmose & Noller Advisors, LLC
Commonwealth of Massachusetts Division of Insurance
Boston, Massachusetts

Mary Lou Moran

Mary Lou Moran, Esq.
Direct of Market Conduct
Commonwealth of Massachusetts Division of Insurance
Boston, Massachusetts