



**THE COMMONWEALTH OF MASSACHUSETTS**  
**OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION**  
**DIVISION OF INSURANCE**

*Report on the Comprehensive Market Conduct Examination of*

***OneBeacon Group of Insurance Companies***

*Employers Fire Insurance Company*

*OneBeacon America Insurance Company*

*Northern Assurance Company of America*

*Canton, Massachusetts*

*For the Period January 1, 2011 through December 31, 2011*

**NAIC COMPANY CODES: 20648, 20621, 38369**

**NAIC GROUP CODE: 1129**

## TABLE OF CONTENTS

Scope of Examination.....	4
Examination Approach .....	4
Executive Summary .....	5
Company Background .....	7
I. Company Operations/Management.....	8
II. Complaint handling.....	16
III. Marketing and Sales .....	19
IV. Producer Licensing.....	22
V. Policyholder Service .....	26
VI. Underwriting and Rating.....	31
VII. Claims .....	43
Summary.....	52
Acknowledgement .....	53

### APPENDIX A – PROPERTY CASUALTY EXAMINATION STANDARDS AND MASSACHUSETTS AUTHORITIES



**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
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COMMISSIONER OF INSURANCE

December 14, 2012

Honorable Joseph G. Murphy  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, Massachusetts 02118-6200

Dear Commissioner Murphy:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, § 4, a comprehensive examination has been made of the market conduct affairs of

**ONEBEACON GROUP OF COMPANIES**  
**EMPLOYERS FIRE INSURANCE COMPANY**  
**ONEBEACON AMERICA INSURANCE COMPANY**  
**NORTHERN ASSURANCE COMPANY**

at their home offices located at:

150 Royall Street  
Canton, MA 02021

The following report thereon is respectfully submitted.

## SCOPE OF EXAMINATION

The Massachusetts Division of Insurance (the "Division") conducted a comprehensive market conduct examination ("examination") of three Massachusetts domiciled companies who belong to the OneBeacon Group. These companies are: The Employers' Fire Insurance Company, OneBeacon America Insurance Company, and The Northern Assurance Company of America (the "Group") for the period January 1, 2011 to December 31, 2011. The examination was called pursuant to authority in Massachusetts General Laws Chapter ("M.G.L. c.") 175, § 4. The examination was conducted under the direction, management and control of the market conduct examination staff of the Division. Representatives from the firm of INS Regulatory Insurance Services, Inc. ("INS") were engaged to complete the examination.

## EXAMINATION APPROACH

A tailored examination approach was developed using the guidance and standards of the *2011 NAIC Market Regulation Handbook*, ("the Handbook") the examination standards of the Division, the Commonwealth of Massachusetts' insurance laws, regulations and bulletins, and selected Federal laws and regulations. All procedures were performed under the supervision of the market conduct examination staff of the Division, including procedures more efficiently addressed in the Division's separate financial examination of the Group. For those objectives, INS and the market conduct examination staff used procedures performed by the Division's financial examination staff to the extent deemed appropriate to ensure that the market conduct objective was adequately addressed. The operational areas that were 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 performed in these operational areas and the results of those procedures.

In addition to the processes and procedures guidance in the Handbook, the examination included an assessment of the Group's related internal controls. While the Handbook approach is designed to detect incidents of deficiency through transaction testing, the internal control assessment provides an understanding of the key controls that the Group's management uses to operate their business and to meet key business objectives, including complying with applicable laws and regulations related to market conduct activities.

The internal control assessment is comprised of three significant steps: (a) identifying controls; (b) determining whether the control has been reasonably designed to accomplish its intended purpose in mitigating the risk; and (c) verifying that the control is functioning as intended (i.e., review or testing of the controls). The effectiveness of the internal controls was considered when determining sample sizes for transaction testing. The form of this examination report is "Report by Test," as described in Chapter 15, Section A of the Handbook.

The Division considers a "finding" to be a violation of Massachusetts insurance laws, regulations or bulletins. An "observation" is defined as a departure from an industry best practice. The Division recommends that the Group's management evaluate any "finding" or "observation" for applicability to other jurisdictions. All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify unacceptable or non-compliant business practices does not constitute acceptance of such practices. When applicable, corrective actions should be taken in all jurisdictions. The Group shall report to the Division any such corrective actions taken.

## EXECUTIVE SUMMARY

This summary of the examination of the Group is intended to provide a high-level overview of the examination results highlighting where recommendations were made or required actions were noted. The body of the report provides details of the scope of the examination, the examination approach, internal controls for each standard, review and test procedures conducted, findings and observations, recommendations and required actions, and if applicable, subsequent Group actions. Group managerial and supervisory personnel from each operational area should review the examination report for results relating to their specific area.

The following is a summary of all findings and observations, along with related recommendations and required actions and, if applicable, subsequent Group actions noted in this examination report. All Massachusetts laws, regulations and bulletins cited in this report may be viewed on the Division's website at [www.mass.gov/doi](http://www.mass.gov/doi).

The examination resulted in no recommendations or required actions with regard to company operations/management, complaint handling, marketing and sales, policyholder service, underwriting and rating, or claims. The examination indicated that the Group is in compliance with all tested Group policies, procedures and statutory requirements addressed in the examination. Further, the tested Group practices appear to meet industry best practices in these areas.

The review of the Group's practices and procedures that relate to producer licensing yielded the following areas of concern: The Company does not currently conduct background checks for producers and does not ensure producers are compliant with continuing education requirements.

## IV. PRODUCER LICENSING

### Standard IV-2

Objective: The Standard addresses the Company's appointment practices, including background checks and continuing education requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment:

- The Company stated they do not conduct background checks prior to appointing producers.
- The Company provides limited continuing education opportunities but does not have a system in place to determine if producers are compliant with continuing education requirements.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed procedures for processing of new agent relationships and agent appointments.

Transaction Testing Results:

Finding: None.

Observation: INS did not observe instances of background checks conducted by the Company.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

The Company does limited continuing education course offerings, however, a system is not in place to determine if continuing education requirements are met.

Recommendation: The Company should implement procedures to ensure background checks are conducted. In addition, the Company should consider establishing a process to ensure continuing education requirements are met by producers representing the Company.

## COMPANY BACKGROUND

### Employers' Fire

The Company is a wholly-owned subsidiary of OneBeacon Insurance Company ("OneBeacon"), a Pennsylvania domestic insurance company. OneBeacon is a wholly-owned subsidiary of OneBeacon Insurance Group LLC ("OBLLC"), an insurance holding company domiciled in Delaware. OBLLC is an indirect wholly-owned subsidiary of OneBeacon Insurance Group, Ltd. ("OBLTD"), a publicly traded insurance holding company domiciled in Bermuda. White Mountains Insurance Group, Ltd., also an insurance holding company domiciled in Bermuda, is the ultimate controlling entity indirectly owning approximately 75% of the outstanding common shares of OBLTD. The One Beacon Companies are rated "A" ("Excellent") by A.M. Best.

### OneBeacon America

The Company is a wholly-owned subsidiary of OneBeacon Insurance Company ("OneBeacon"), a Pennsylvania domestic insurance company. OneBeacon is a wholly-owned subsidiary of OneBeacon Insurance Group LLC ("OBLLC"), an insurance holding company domiciled in Delaware. OBLLC is an indirect wholly-owned subsidiary of OneBeacon Insurance Group, Ltd. ("OBLTD"), a publicly traded insurance holding company domiciled in Bermuda. White Mountains Insurance Group, Ltd., also an insurance holding company domiciled in Bermuda, is the ultimate controlling entity indirectly owning approximately 75% of the outstanding common shares of OBLTD. The One Beacon Companies are rated "A" ("Excellent") by A.M. Best.

### Northern Assurance

As of December 31, 2011, the Company was a wholly-owned subsidiary of OneBeacon Insurance Company ("OneBeacon"), a Pennsylvania domestic insurance company. OneBeacon is a wholly-owned subsidiary of OneBeacon Insurance Group LLC ("OBLLC"), an insurance holding company domiciled in Delaware. OBLLC is an indirect wholly-owned subsidiary of OneBeacon Insurance Group, Ltd. ("OBLTD"), a publicly traded insurance holding company domiciled in Bermuda. White Mountains Insurance Group, Ltd., also an insurance holding company domiciled in Bermuda, is the ultimate controlling entity indirectly owning approximately 75% of the outstanding common shares of OB. The One Beacon Companies are rated "A" ("Excellent") by A.M. Best.

As of October 1, 2012, OneBeacon contributed its ownership interest in all of the Company's issued and outstanding shares of stock to another wholly owned subsidiary, OneBeacon America Insurance Company. White Mountains Insurance Group, Ltd remains the ultimate controlling entity.

## I. COMPANY OPERATIONS/MANAGEMENT

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

<b>Standard I-1. The regulated entity has an up-to-date, valid internal, or external, audit program.</b>
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Objective: This Standard addresses the audit function and its responsibilities. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has an internal audit function completed internally and also, in part, by White Mountain staff.
- The internal audit department is an independent function operating under a Chief Risk Officer.
- The Chief Risk Officer reports findings to an Audit Committee that reports directly to the Board of Directors.
- Certain risk assessment is conducted through White Mountains staff that is highly familiar with the OneBeacon structure and, in those instances in which audit areas have a reporting relationship to the Chief Risk Officer, White Mountains will perform the audit to ensure independence.
- The internal audit department issues written reports for each audit performed. The reports discuss the procedures performed, findings, actions taken and recommendations. The Chief Financial Officer and senior management review the audit prior to publication and, once published, all senior management and possibly members of the affected business unit receive a copy of the audit report.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed general procedures for internal audits and compliance as well as a listing internal audits performed during 2011. Several audits were selected and reviewed.

Transaction Testing Results:

Findings: None.

Observations: None of the internal audits presented any unusual or items of concern to the examiners. The Company has appropriate policies and processes to guide and monitor its internal audit functions.

Recommendations: None.

<b>Standard I-2. The regulated entity has appropriate controls, safeguards and procedures for protecting the integrity of computer information.</b>
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No work was performed for this Standard. All required activity for this Standard was included in the scope of the statutory financial examination of the group.



**Standard I-3. The regulated entity has antifraud initiatives in place that are reasonably calculated to detect, prosecute, and prevent fraudulent insurance acts.**

Objective: This Standard addresses the effectiveness of the Company's antifraud plan. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has adopted written antifraud procedures, which require management and employees to take reasonable precautions to prevent, detect and investigate potential fraud.
- The Company's procedures require employees to report suspected fraud to a Special Investigations Unit.
- The Special Investigations Unit is responsible for investigating and reporting on potentially fraudulent activity.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed Company policies and procedures to address antifraud initiatives as part of claims and underwriting testing and reviewed supporting documentation.

Transaction Testing Results:

Findings: None.

Observations: Based upon the review of Company materials and reports, the Company has developed robust policies and procedures reasonably designed to detect, prevent and investigate fraud.

Recommendations: None.

**Standard I-4. The regulated entity has a valid disaster recovery plan.**

No work was performed for this Standard. All required activity for this Standard was included in the scope of the statutory financial examination of the group.

**Standard I-5. Contracts between the regulated entity and entities assuming a business function or acting on behalf of the regulated entity, such as, but not limited to, MGAs, GAs, TPAs and management agreements must comply with applicable licensing requirements, statutes, rules and regulations.**

Objective: This Standard addresses the Company's contracts with entities assuming a business function and compliance with licensing and regulatory requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard and Standard I-6:

- The Company indicated they had no Managing General Agents or Managing General Underwriters in operation during the examination period.
- The Company originally indicated they did not have any third party administrators in operation during the examination period. During the review of subrogation claims, the examiners noted the use of third party entities to conduct subrogation activities on behalf of the Company.
- The Company also has contracts with general agencies and unaffiliated producers. The contracts with these entities generally describe the duties of the parties, licensing and appointment requirements, authorities, compensation, general contract provisions, terminations and reappointments, and compliance with the Company's principles of ethical market conduct.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed management's policies and procedures for contracting with third parties to perform Company functions. INS also reviewed the agreement with the subrogation third party administrator and a standard producer contract for reasonableness and compliance with statutory requirements.

Transaction Testing Results:

Findings: None.

Observations: The Company has reasonable policies and procedures for contracting with third parties to perform Company functions.

Recommendations: None.

**Standard I-6. The regulated entity is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the regulated entity.**

Objective: This Standard addresses the Company's efforts to adequately monitor the activities of the contracted entities that perform business functions on its behalf. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-5.

Controls Reliance: See Standard I-5.

Transaction Testing Procedure: INS reviewed management's use of the third party administrator. Further, INS reviewed certain work performed by one of these third parties as part of claims testing.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company has processes to monitor the

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

activities of third parties assuming a business function on the Company's behalf, in compliance with statutory and regulatory requirements.

Recommendations: None.

**Standard I-7. Records are adequate, accessible, consistent and orderly and comply with record retention requirements.**

Objective: This Standard addresses the adequacy and accessibility of the Company's records. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has adopted record retention requirements.
- The record retention requirements include guidelines for management, maintenance and disposal of records, and the length of time specific documents must be retained.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's record retention policies and evaluated them for reasonableness.

Transaction Testing Results:

Findings: None.

Observations: The Company's record retention policies appear reasonable. There were no concerns about record availability occurring during the examination.

Recommendations: None.

**Standard I-8. The regulated entity is licensed for the lines of business that are being written.**

Objective: This Standard addresses whether the lines of business written by the Company are in accordance with the lines of business authorized by the Division. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Due to the nature of this Standard, no controls assessment was performed.

Controls Reliance: Not applicable.

Transaction Testing Procedure: INS reviewed the Company's certificate of authority, and compared it to the lines of business which the Company writes in the Commonwealth.

Transaction Testing Results:

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

Findings: None.

Observations: The Company is licensed for the lines of business being written.

Recommendations: None.

**Standard I-9. The regulated entity cooperates on a timely basis with examiners performing the examinations.**

Objective: This Standard is concerned with the Company's cooperation during the course of the examination. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Due to the nature of this Standard, no controls assessment was performed.

Controls Reliance: Not applicable.

Transaction Testing Procedure: The Company's level of cooperation and responsiveness to examiner requests was assessed throughout the examination.

Transaction Testing Results:

Findings: None.

Observations: The Company's level of cooperation and responsiveness to examiner requests was very good. There were no concerns about Company responsiveness arising during the examination.

Recommendations: None.

**Standard I-10. The regulated entity has procedures for the collection, use and disclosure of information gathered in connection with insurance transactions to minimize any improper intrusion into the privacy of applicants and policyholders.**

Objective: This Standard addresses the Company's policies and procedures to ensure it minimizes improper intrusion into the privacy of individuals. Testing of compliance with adverse underwriting notice requirements is located in Underwriting and Rating Standard VI-7. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in conjunction with the review of this Standard and Standards I-11 through I-17:

- The Company has protocols and procedures for legally protected personally identifiable information that may be communicated via email.
- The Company uses Policy Enforced Transport Layer internet protocol and has secure email to enable employees to send secure emails outside of the OneBeacon network.
- The Company also has an information privacy policy that addresses data classification, information sharing and collection, proprietary information, physical security, passwords, electronic media destruction, data security and data incident responses.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

- The Company trains all new hires within two weeks of employment regarding their privacy practices.
- The Company also conducts periodic training of all employees to ensure competency of the subject is maintained.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed processes for privacy and information security compliance provided by the Company. In addition, INS reviewed the new employee training materials regarding privacy protection.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company's practices are in accordance with statutory requirements and the Company's policies and procedures.

Recommendations: None.

**Standard I-11. The regulated entity has developed and implemented written policies, standards and procedures for the management of insurance information.**

The objective of this Standard relates to privacy matters and is included in Standards I-10.

**Standard I-12. The regulated entity has policies and procedures to protect the privacy of nonpublic personal information relating to its customers, former customers and consumers that are not customers.**

The objective of this Standard relates to privacy matters and is included in Standards I-10.

**Standard I-13. The regulated entity provides privacy notices to its customers and, if applicable, to its consumers who are not customers regarding treatment of nonpublic personal financial information.**

The objective of this Standard relates to privacy matters and is included in Standards I-10.

**Standard I-14. If the regulated entity discloses information subject to an opt out right, the company has policies and procedures in place so that nonpublic personal financial information will not be disclosed when a consumer who is not a customer has opted out, and the company provides opt out notices to its customers and other affected consumers.**

The objective of this Standard relates to privacy matters and is included in Standards I-10.

**Standard I-15.** The regulated entity's collection, use and disclosure of nonpublic personal financial information are in compliance with applicable statutes, rules and regulations.

The objective of this Standard relates to privacy matters and is included in Standards I-10.

**Standard I-16.** In states promulgating the health information provisions of the NAIC model regulation, or providing equivalent protection through other substantially similar laws under the jurisdiction of the insurance department, the regulated entity has policies and procedures in place so that nonpublic personal health information will not be disclosed except as permitted by law, unless a customer or a consumer who is not a customer has authorized the disclosure.

The objective of this Standard relates to privacy matters and is included in Standards I-10.

**Standard I-17.** Each licensee shall implement a comprehensive written information security program for the protection of nonpublic customer information.

The objective of this Standard relates to privacy matters and is included in Standards I-10.

**Standard I-18.** All data required to be reported to departments of insurance is complete and accurate.

*Objective:* This Standard is concerned with data required to be filed with the Commonwealth. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of this Standard:

- The Company is required to provide a quarterly fee as an assessment to the Department of Industrial Accidents.
- The Company is also required to provide annual information for the Massachusetts Property Insurance Underwriting Association.
- There are occasional requirements for filing data at the request of the Division .

*Controls Reliance:* Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

*Transaction Testing Procedure:* INS reviewed the confirmations of quarterly fees provided to the Department of Industrial Accidents. INS also reviewed the data reported by the Massachusetts Property Insurance Underwriting Association. There were no required data requests by the Division during the examination period.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

Transaction Testing Results:

Findings: None.

Observations: The Company's documentation showed they are in compliance with a timely response to data filing requirements.

Recommendations: None.

## II. COMPLAINT HANDLING

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

**Standard II-1. All complaints are recorded in the required format on the regulated entity's complaint register.**

*Objective:* This Standard addresses whether the Company formally tracks complaints or grievances as required by statute. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of all Complaint Handling Standards:

- Written Company policies and procedures govern complaint handling.
- The Company logs written complaints, and Division complaints in its complaint register.
- The Company provides telephone numbers and addresses on its website. The website's claim page provides a list of contact names, email addresses and telephone numbers for each of the business segments.
- The Company only had one complaint during the examination period.

*Controls Reliance:* Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

*Transaction Testing Procedure:* INS reviewed the policies and procedures provided by the Company. In addition, INS reviewed the website for the online complaint submission process. Further, INS reviewed the complaint received as well as the complaint register and log.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* INS found the Company's complaint handling requirements to be sufficient. Due to the nature of their business, it is not expected there would be a significant number of complaints, however, the Company has established practices and procedures to adequately handle any complaints received.

*Recommendations:* None.

**Standard II-2. The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.**

*Objective:* This Standard addresses whether the Company has adequate complaint handling procedures, and communicates those procedures to policyholders and consumers. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* See Standard II-1.



REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

Controls Reliance: See Standard II-1.

Transaction Testing Procedure:

INS reviewed the policies and procedures provided by the Company. In addition, INS reviewed the website for the online complaint submission process. Further, INS reviewed the complaint received as well as the complaint register and log.

Transaction Testing Results:

Findings: None.

Observations: The website has sufficient information for the submission of complaints.

Recommendations: None.

**Standard II-3. The regulated entity takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations, and contract language.**

Objective: This Standard addresses whether the Company's response to the complaint fully addresses the issues raised, and whether policyholders or consumers with similar fact patterns are treated consistently and fairly. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: INS reviewed the policies and procedures provided by the Company. In addition, INS reviewed the website for the online complaint submission process. Further, INS reviewed the complaint received as well as the complaint register and log.

Transaction Testing Results:

Findings: None.

Observations: The Company adequately handled the single complaint received during the examination period.

Recommendations: None.

**Standard II-4. The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules and regulations.**

Objective: This Standard addresses the time required for the Company to process each complaint. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard II-1.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: INS reviewed the policies and procedures provided by the Company. In addition, INS reviewed the website for the online complaint submission process. Further, INS reviewed the complaint received as well as the complaint register and log.

Transaction Testing Results:

Findings: None.

Observations: The Company responded in a timely manner to the one complaint received during the examination period.

Recommendations: None.

### III. MARKETING AND SALES

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

**Standard III-1. All advertising and sales materials are in compliance with applicable statutes, rules and regulations.**

*Objective:* This Standard is concerned with whether the Company maintains a system of control over the content, form and method of dissemination for all advertising materials. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted as part of this Standard:

- The Company has adopted written policies and procedures for review and use of advertising and sales materials.
- Company and producer-developed advertising and sales materials are reviewed and approved by a National Distribution Officer as well as Corporate Compliance and the Legal Department prior to use.
- The Company maintains a listing of approved advertising and sales materials that are available for use.
- The Company discloses its name and address on its website.
- Most of the Company's advertising is based on brand name recognition and not product-specific advertisements.

*Controls Reliance:* Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

*Transaction Testing Procedure:* INS reviewed policies and procedures for the review and approval of advertising and sales materials prior to use and reviewed the Company's website for disclosure of its name and address. In addition, INS reviewed the listing of approved advertisements.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* The Company markets commercial insurance and most advertisements are company branding advertisements and not necessarily product specific. The advertisements are primarily used to generate relationships with commercial interests.

*Recommendations:* None.

**Standard III-2. Regulated entity internal producer training materials are in compliance with applicable statutes, rules and regulations.**

*Objective:* This Standard is concerned with whether the Company's producer training materials are in compliance with state statutes, rules and regulations. See Appendix A for applicable statutes, regulations

and bulletins.

Controls Assessment: The following controls were noted as part of this Standard:

- The Company does not conduct producer training and education programs on a regular basis.
- All producer training materials are approved by the Company prior to use.
- Any training would be unique and niche related so it is offered to a small audience on a limited basis.
- Continuing education programs were offered by the Company in 2010 and six standing courses were still open in 2011 but no classes were held in 2011. The programs offered in 2011 were approved by the Division in 2010 or earlier (2 year active status) as eligible for continuing education.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the process for approval and training with the Company during the interview process.

Transaction Testing Results:

Findings: None.

Observations: The Company has a limited need to provide training in their highly specialized markets.

Recommendations: None.

<b>Standard III-3. Regulated entity communications to producers are in compliance with applicable statutes, rules and regulations.</b>
--

Objective: This Standard is concerned with whether the written and electronic communication between the Company and its producers is in accordance with Company policies and procedures. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted as part of this Standard:

- Producer communications are primarily provided on a one-on-one basis.
- Compliance matters are sent by the Corporate Compliance Department to the niche impacted by the area of concern.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the process for producer communications and advisement of compliance issues during the interview process.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

Transaction Testing Results:

Findings: None.

Observations: Based on review, policies and procedures for producer communications are appropriate and reasonable.

Recommendations: None.

#### IV. PRODUCER LICENSING

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

**Standard IV-1. Regulated entity records of licensed and appointed (if applicable) producers agree with insurance department records.**

*Objective:* The Standard addresses licensing and appointment of the Company's producers. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of this Standard:

- The Company provided a listing of producers active with the Company.
- The Division provided a listing of producers appointed to represent the Company.
- Contracts with producers describe the duties of the parties including licensing and appointment requirements, limitations of authority, compensation, general contract provisions, terminations and reappointments, and compliance with the Company's principles of ethical market conduct.
- The Company contains a list of producers in a centralized data warehouse called the "Producer Management" system.
- The Company has established relationships with many producers serving in a broker capacity. The Company explained they have relationships with agents who act on behalf of the Company and brokers who act on behalf of the insureds.

*Controls Reliance:* Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

*Transaction Testing Procedure:* INS reviewed policies and procedures for producer contracting and processing of agent appointments. INS tested the listing of producers provided by the Company and compared it to the listing provided by The Division.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* There were discrepancies noted with the Company listing producers that are not on the Division listing of producers. The Company indicated some of the producers were acting in the capacity of a broker so an appointment was not required.

*Recommendations:* None

**Standard IV-2. The producers are properly licensed and appointed and have appropriate continuing education (if required by state law) in the jurisdiction where the application was taken.**

*Objective:* The Standard addresses the Company's appointment practices, including background checks and continuing education requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment:

- The Company stated they do not conduct background checks prior to appointing producers.
- The Company provides limited continuing education opportunities but does not have a system in place to determine if producers are compliant with continuing education requirements.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed procedures for processing of new agent relationships and agent appointments.

Transaction Testing Results:

Finding: None.

Observation: INS did not observe instances of background checks conducted by the Company. The Company does limited continuing education course offerings, however, a system is not in place to determine if continuing education requirements are met.

Recommendation: The Company should implement procedures to ensure background checks are conducted. In addition, the Company should consider establishing a process to ensure continuing education requirements are met by producers representing the Company.

<b>Standard IV-3. Termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable.</b>
---

Objective: This Standard addresses the Company's termination of agents in accordance with applicable statutes requiring notification to the state and the agent. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company contains a list of producers in a centralized data warehouse called the "Producer Management" system.
- The Company's policy is to notify the Division of the reason for agent terminations when the terminations are "for cause."
- The Company stated they conduct monthly and annual reconciliation of Company termination records and Division records.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed policies and procedures for processing of agent appointment terminations. In addition, INS reviewed a listing of producers provided by the Company against the listing provided by the Division.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

Transaction Testing Results:

Findings: None.

Observation: See Standard IV-1 and IV-4. The Company appropriately notifies the Division of terminations.

Recommendations: None.

**Standard IV-4. The regulated entity's policy of producer appointments and terminations does not result in unfair discrimination against policyholders.**

Objective: The Standard addresses the Company's policy for ensuring that agent appointments and terminations do not unfairly discriminate against policyholders. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standards IV-1 and IV-3.

Controls Reliance: See Standards IV-1 and IV-3.

Transaction Testing Procedure: INS reviewed policies and procedures for producer contracting and processing of agent appointments and terminations.

Transaction Testing Results:

Findings: None.

Observations: There were no instances noted of producer appointment or terminations that suggest unfair discrimination against policyholders.

Recommendations: None.

**Standard IV-5. Records of terminated producers adequately document the reasons for terminations.**

Objective: The Standard addresses the Company's documentation of the reasons for agent terminations. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard IV-3.

Controls Reliance: See Standard IV-3.

Transaction Testing Procedure: INS reviewed policies and procedures for processing of agent appointment terminations.

Transaction Testing Results:



REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

Finding: None.

Observation: INS noted that discrepancies exist between the Company's list of producers and the Division's list of producers. The terminated producers were all terminated for lack of business or because there was no longer active business written by the producer.

Recommendations: None.

<b>Standard IV-6. Producer account balances are in accordance with the producer's contract with the insurer.</b>
--

No work performed. This Standard is not covered in the scope of examination because the Company receives premiums directly through employer or group policyholder payment.

## V. POLICYHOLDER SERVICE

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

<b>Standard V-1. Premium notices and billing notices are sent out with an adequate amount of advance notice.</b>
--

*Objective:* This Standard addresses whether the Company provides policyholders with sufficient advance notice of premiums due. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of this Standard:

- The Company has written policies and procedures for processing of premium billing, payment reminder and lapse notices.
- Billing notices were reviewed during the testing of in-force policy files.
- The review of files indicated that the premium notices and billing notices were being sent out with advance notice per M.G.L. c.175, 193B.
- The Company sends billings to the contact identified as billing representative for the contracted business.

*Controls Reliance:* Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

*Transaction Testing Procedure:* INS reviewed the Company's policies and procedures for providing billing and lapse notices. INS reviewed billing notices in the in-force files selected for testing.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based on testing, the Company gave adequate notice prior to lapse in compliance with statutory requirements. Further, premium billing notices appeared to be mailed to the policyholder with adequate advance notice. The Company has proper policies and procedures for providing billing and lapse notices.

*Recommendations:* None.

<b>Standard V-2. Policy issuance and insured-requested cancellations are timely.</b>
--

*Objective:* This Standard addresses the Company's procedures to ensure that policyholder cancellation requests are processed timely. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of this Standard:

- The Company has written policies and procedures for processing of policyholder and contract holder transaction requests.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

- The time frames for policy issuance were tested in a sample of newly issued policies.
- Cancellation requests are uncommon during the middle of a policy term, but requests are handled in a timely manner.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's policies and procedures for processing insured-requested cancellations. Notifications to policyholders of premium due were sent in a timely manner.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company has policies and procedures to process insured-requested cancellations accurately and timely.

Recommendations: None.

**Standard V-3. All correspondence directed to the regulated entity is answered in a timely and responsive manner by the appropriate department.**

Objective: This Standard addresses the Company's procedures for providing timely responses to customers. Complaints are covered in the Complaint Handling Section, and claims are covered in the Claims Section. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has written policies and procedures for timely processing of customer correspondence.
- The company uses an array of e-mail, letters, conversations with agent, etc. in communication with insureds.
- During file reviews, the examiners observed that communications were handled in a timely manner and without delay.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's policies and procedures for responding to customer correspondence. There were no deficiencies or delays in the processing of communications.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, the Company has policies and procedures to process

customer correspondence in a timely and responsive manner.

Recommendations: None.

**Standard V-4. Whenever the regulated entity transfers the obligations of its contracts to another regulated entity pursuant to an assumption reinsurance agreement, the regulated entity has gained the prior approval of the insurance department and the regulated entity has sent the required notices to affected policyholders.**

There was no work performed for this Standard. The Company does not enter into assumption reinsurance agreements.

**Standard V-5. Policy transactions are processed accurately and completely.**

Objective: This Standard addresses procedures for processing changes, to insurance accounts after policy issuance. Objectives pertaining to policy issuance are included in Standard VI-6. Billing transactions are tested in Standard V-1, and insured-requested cancellations are reviewed in Standard V-2. Return of premium testing is included in Standard V-7. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has written policies and procedures for the timely processing of policyholder and contract holder service transactions.
- The examiners reviewed policy transactions when reviewing the renewals, declinations and issued policies.
- Transaction requests were considered and responded to in a timely manner.
- There were no instances of delays noted by the examiners during their file reviews.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed policies and procedures for processing post-issue policy transactions. During the review of files, INS did not observe any instances where the company delayed or hindered the processing of policy service transactions.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, the Company processes customer transactions accurately and timely in accordance with statutory requirements and policy provisions.

Recommendations: None.

**Standard V-6. Reasonable attempts to locate missing policyholders or beneficiaries are made.**

Objective: This Standard addresses efforts to locate missing policyholders or beneficiaries, and to comply with escheatment and reporting requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- OneBeacon has a written corporate policy regarding the treatment of unclaimed property.
- The Company's lines of business do not typically involve individual policyholders, but rather group policyholders. For this reason, missing or abandoned policyholders are a rarity. Most of the Company's issues surround unclaimed property in the forms of benefit payments.
- The Unclaimed Property area uses the TRACKER system to manage OneBeacon's unclaimed property.
- The Company annually requests a file from each check producing area within OneBeacon of any checks that are 13 months or older as of December 31<sup>st</sup>. The Company's Unclaimed Property Administrator is responsible for follow-up on checks 13 months or older.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's policies and procedures to locate lost policyholders and customers and report escheatable funds. These policies and procedures were compared to the Division's best practices in these areas.

Transaction Testing Results:

Findings: None.

Observations: Based upon review of the Company's procedures and the required business practices the Company has adopted processes to locate and return unclaimed funds. The Company also has escheatment practices in compliance with the Division's requirements.

Subsequent Actions: None.

Required Actions: None.

Recommendations: None.

**Standard V-7. Unearned premiums are correctly calculated and returned to the appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations.**

Objective: This Standard addresses return of the correctly calculated unearned premium in a timely manner when policies are cancelled. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

- The Company has procedures for processing of policyholder and contract holder transaction requests including the return of unearned premium.
- There is not a significant volume of unearned premium for return due to the unique nature of the Company's lines of business.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's procedures for processing insured-requested cancellations and payment of unearned premium. This Standard was tested while reviewing the cancellation files. No anomalies or delays were noted by examiners during the review of cancelled files.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company has policies and procedures to process insured-requested cancellations accurately and timely. Unearned premiums are returned in a timely manner.

Recommendations: None.

**Standard V-8. Claims history and loss information is provided to insured in a timely manner.**

Objective: This Standard addresses provision of claims history and loss information upon insured requests. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has procedures for processing of claims history and loss information requests.
- The requests are handled by the servicing area of the contract/product line.
- Upon request, the Company timely provides for the provision of claims history and loss information.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's procedures for processing claims history and loss information requests.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company has procedures to process insured-requested cancellations accurately and timely. There were no instances of delay or inappropriate handling of requests during the file reviews.

Recommendations: None.

## VI. UNDERWRITING AND RATING

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

**Standard VI-1. The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan.**

Objective: This Standard addresses whether the Company is charging premiums using properly filed rates. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Many of the Company's product offerings are unique and not subject to filing for rate approval.
- The workers compensation line and some commercial coverages have rating requirements.
- The Company has written underwriting and rating policies and guidelines.
- Group rating guidelines are followed and pricing is agreed upon with the group policyholder or employer.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed policies and procedures for determining and charging group rates. In addition, rates were reviewed in the newly issued policy file sample.

Transaction Testing Results:

Findings: None.

Observations: The Company has reasonable policies and procedures for determining and charging group rates. There were no deviations noted.

Recommendations: None.

**Standard VI-2. All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations.**

Objective: This Standard addresses mandated underwriting disclosures, which are required in accordance with statutes, regulations and Company policy. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- There are disclosure requirements regarding terrorism coverage for commercial lines.
- The workers compensation line also has some disclosure requirements.
- The Company has guidelines for the inclusion and issuance of required disclosures.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed disclosures in the newly issued policy file sample.

Transaction Testing Results:

Findings: None.

Observations: The Company has reasonable procedures for the inclusion of required disclosures. There were no deviations noted.

Recommendations: None.

**Standard VI-3. The regulated entity does not permit illegal rebating, commission cutting or inducements.**

Objective: This Standard addresses whether unfair discrimination is with respect to the rebating or inducement to purchase coverage via commission adjustments. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Company policy prohibits the rebating or inducement to purchase on the basis of commission adjustments.
- Commission payments are made to the broker or soliciting producer on the basis of contractual agreements with the Company.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed commission payments in the newly issued files.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's commission payments were not unfairly discriminatory. The examiners found no instance of illegal rebating or improper inducements.

Recommendations: None.



**Standard VI-4. The regulated entity underwriting practices are not unfairly discriminatory. The company adheres to applicable statutes, rules and regulations and regulated entity guidelines in the selection of risks.**

*Objective:* This Standard addresses whether unfair discrimination is occurring in insurance underwriting. See Standard VI-7 for testing of declinations. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of this Standard:

- The Company tailors products for many of their clients on the basis of their unique niche and requirements.
- Underwriting guidelines are designed to assure reasonable consistency in classification and rating of risks.

*Controls Reliance:* Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

*Transaction Testing Procedure:* INS reviewed policies and procedures for underwriting and classifying risks. This Standard was tested as part of the newly issued policy file review.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, the Company's underwriting and sales practices are not unfairly discriminatory, and the Company adheres to related statutes, rules and regulations.

*Recommendations:* None.

**Standard VI-5. All forms including contracts, riders, endorsement forms and certificates are filed with the insurance department, if applicable.**

*Objective:* This Standard addresses whether policy forms and endorsements are filed with the Division for approval. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of this Standard:

- The Company's underwriting guidelines and policy forms are designed to allow appropriate classification in the unique product environment.
- The Company maintains a list of policy forms and exclusions issued.
- The policy forms are not required to be filed prior to issuance in the commercial market.

*Controls Reliance:* Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the list of policy forms in use by the Company.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company is using appropriate forms in compliance with its policies and procedures.

Recommendations: None.

**Standard VI-6. Policies, riders and endorsements are issued or renewed accurately, timely and completely.**

Objective: This Standard addresses whether the Company issues policies and endorsements timely and accurately. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has procedures for the determination of whether renewal will be offered prior to the expiration of the policy period, if appropriate.
- Company underwriters review the group's history to assess the appropriateness of a renewal offering and communicate such to the policy servicing area prior to the expiration of the current period.
- The Company maintains written notifications for the offer to renew or termination of coverage.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed policies and procedures for underwriting and classifying risks. Renewal policies were reviewed for compliance with the applicable statutes.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company timely processes renewals.

Recommendations: None.

**Standard VI-7. Rejections and declinations are not unfairly discriminatory.**

Objective: This Standard addresses the fairness of application rejections and declinations. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard and Standard VI-8:

- The Company provided a list of eight declinations during the examination period.
- The declinations were made on the basis of risk assessment decisions or because the Company does not write in the market requested.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed policies and procedures for underwriting, classifying risks and declining applicants. All of the eight declinations were reviewed by examiners for compliance with applicable statutes.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, the Company's underwriting declinations were not unfairly discriminatory.

Recommendations: None.

<b>Standard VI-8. Cancellation/non-renewal, discontinuance and declination notices comply with policy provisions, state laws and regulated entity guidelines.</b>
---

Objective: This Standard addresses whether the reasons for a cancellation are valid according to policy provisions and state laws. Compliance with Adverse Underwriting Notice requirements are tested in Standard VI-7. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment:

- The Company provided a list of eight declinations during the examination period.
- The Company has procedures for the timely review of policies for non-renewal at the expiration of the policy period.

Controls Reliance: See Standards VI-7.

Transaction Testing Procedure: INS reviewed policies and procedures for underwriting, classifying risks and declining applicants. All of the eight declinations were reviewed by examiners for compliance with applicable statutes.

Transaction Testing Results:

Findings: None.

Observations: Declinations were made on the basis of risk assessment decisions or because the Company does not write in the market requested. Based on testing, the Company's adverse underwriting notices were issued timely and in compliance with statutory requirements.

Recommendations: None.

**Standard VI-9. Rescissions are not made for non-material misrepresentation.**

Objective: This Standard addresses whether decisions to rescind and cancel coverage are made appropriately. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company provided a listing of 25 cancelled policies for review.
- There were two policies cancelled flat during the review period and one policy was cancelled for non-payment of premium.
- The Company had no instances of rescission during the examination period.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS found no instance of rescission during the examination period.

Transaction Testing Results:

Findings: None.

Observations: INS noted no evidence of rescissions processed during the examination period.

Recommendations: None.

**Standard VI-10. Credits, debits and deviations are consistently applied on a non-discriminatory basis.**

Objective: This Standard addresses whether (credits, debits and deviations are consistently provided in the workers compensation market. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company's workers compensation products are reviewed for credits, debits and deviations.
- The review of these items occurs in the servicing unit of the product line.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed this Standard during the policy file sample testing.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, INS found the Company to be in compliance with this Standard.

Recommendations: None.

**Standard VI-11. Schedule rating or individual risk premium modification plans, where permitted, are based on objective criteria with usage supported by appropriate documentation.**

Objective: This Standard addresses whether schedule rating is properly supported. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company's workers compensation products are reviewed for rating at the time policies are issued and renewed.
- The review of these items occurs in the servicing unit of the product line.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed this Standard during the policy file sample testing.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, INS found the Company to be in compliance with this Standard.

**Standard VI-12. Verification of use of the filed expense multipliers; the company should be using a combination of loss costs and expense multipliers filed with the Division.**

Objective: This Standard addresses whether expense multipliers and properly used by the Company. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company's workers compensation products are reviewed for rating at the time policies are issued and renewed.
- The review of these items occurs in the servicing unit of the product line.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed this Standard during the policy file sample testing.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, INS found the Company to be in compliance with this Standard.

<b>Standard VI-13. Verification of premium audit accuracy and the proper application of rating factors.</b>
---

Objective: This Standard addresses whether premium audits are conducted accurately and timely. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company's workers compensation products are reviewed for rating at the time policies are issued and renewed. This review includes premium audits for accuracy.
- The review of these items occurs in the servicing unit of the product line.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed this Standard during the policy file sample testing.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, INS found the Company to be in compliance with this Standard.

<b>Standard VI-14. Verification of expense modification factors.</b>
--

Objective: This Standard addresses whether expense modification factors are properly applied. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company's workers compensation products are reviewed for rating at the time policies are issued and renewed.
- The review of these items occurs in the servicing unit of the product line.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed this Standard during the policy file sample testing.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, INS found the Company to be in compliance with this Standard.

**Standard VI-15. Verification of loss reporting.**

Objective: This Standard addresses whether loss reporting is verified. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company's workers compensation products are reviewed for rating at the time policies are issued and renewed.
- The review of these items occurs in the servicing unit of the product line.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed this Standard during the policy file sample testing.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, INS found the Company to be in compliance with this Standard.

**Standard VI-16. Underwriting, rating and classification are based on adequate information developed at or near inception of the coverage rather than near expiration, or following a claim.**

Objective: This Standard addresses whether rating decisions are made on the basis of post-claims underwriting activities. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company's rating decisions are made at the time policies are issued and renewed.
- There are instances when claims activity is reported to the underwriters for review.
- Underwriting determinations after a claim are reviewed with the policy servicing areas. The review of these items occurs in the servicing unit of the product line.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or

corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed this Standard during the claims file reviews.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, INS found the Company to be in compliance with this Standard.

**Standard VI-17. Audits when required are conducted accurately and timely.**

No work performed. This Standard was tested under Standard VI-13.

**Standard VI-18. The regulated entity verifies the VIN number submitted with the application is valid and that the correct symbol is utilized.**

Objective: This Standard addresses whether VIN numbers are properly collected and correct symbols used when underwriting auto, marine or transportation coverages.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company's procedures require the collection of mandatory information at the time of policy issuance.
- The review of these items occurs in the servicing unit of the product line.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed this Standard during the policy file sample testing.

Transaction Testing Results:

Findings: No issues were found.

Observations: There was one instance noted of an incorrect hull number on a boat that was detected and corrected by the agent. Based upon testing, INS found the Company to be in compliance with this Standard.



**Standard VI-19. The company does not engage in collusive or anti-competitive underwriting practices.**

*Objective:* This Standard addresses whether the company engages in inappropriate collusive or anti-competitive practices. There was one instance noted of an incorrect hull number on a boat that was detected and corrected by the agent.

*Controls Assessment:* The following controls were noted in review of this Standard:

- The Company offers products in unique markets. The uniqueness of these market niches leads to a limited number of carriers offering in the market.
- The Company has established themselves as carriers in their unique market niches and have established relationships with brokers and producers in those markets.
- The limited number of carriers in the markets lead to a self-policing environment where any collusive or anti-competitive practices would be identified.

*Controls Reliance:* Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

*Transaction Testing Procedure:* INS reviewed this Standard throughout the examination.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, INS found the Company to be in compliance with this Standard.

**Standard VI-20. The company's underwriting practices are not unfairly discriminatory. The regulated entity adheres to applicable statutes, rules and regulations in its application of mass marketing plans.**

No work performed. The Company does not engage in mass marketing activities.

**Standard VI-21. All group personal lines property and casualty policies and programs meet minimum requirements.**

*Objective:* This Standard addresses whether the company meets statutory requirements for the issuance of group property and casualty coverages. There was one instance noted of an incorrect hull number on a boat that was detected and corrected by the agent.

*Controls Assessment:* The following controls were noted in review of this Standard:

- The Company offers a significant number of products in the group property and casualty market.
- Many of the coverages are uniquely designed to accommodate the request for coverage or market niche.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed this Standard during the review of issued and renewed files.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, INS found the Company to be in compliance with this Standard.

**Standard VI-23. Cancellation/nonrenewal notices comply with policy provisions and state laws, including the amount of advance notice to the insured and other parties to the contract.**

This Standard was tested in conjunction with VI-7 and VI-8.

**Standard VI-24. All policies are correctly coded.**

Objective: This Standard addresses whether the company ensures policies are correctly coded for statistical tracking and reporting purposes.

Controls Assessment: The following control was noted in review of this Standard:

- The Company codes policies during the file issuance process.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed this Standard during the review of issued files.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, INS found the Company to be in compliance with this Standard.

## VII. CLAIMS

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

<b>Standard VII-1. The initial contact by the regulated entity with the claimant is within the required time frame.</b>
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*Objective:* This Standard addresses the timeliness of the Company's initial contact with the claimant. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- Claims are reported by mail, through the producer, or are called in to the Company.
- Claims management periodically reviews claims to evaluate pending issues and ensure appropriate reserves have been established.

*Controls Reliance:* Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

*Transaction Testing Procedure:* INS reviewed claims handling policies and procedures. INS selected paid, denied and closed without payment claims to determine whether the initial contact with the claimant was timely.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* INS observed that appropriate contact was made after the notification of claim was received. Based upon testing the Company's processes for providing timely initial contact with claimants are functioning in accordance with its policies, procedures, and statutory requirements.

*Recommendations:* None.

<b>Standard VII-2. Timely investigations are conducted.</b>
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*Objective:* The Standard addresses the timeliness and completeness of the Company's claim investigations. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of this Standard and Standards VII-3 and VII-10:

- Written policies and procedures govern the Company's claims handling processes.
- The Company conducts internal reviews of claim files to review handling practices.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. INS selected paid, denied and closed without payment claims to determine whether the investigations were conducted in a timely manner and whether the investigations were complete.

Transaction Testing Results:

Findings: None.

Observations: INS found claims were investigated according to the Company's policies and procedures. Based upon testing, the Company's processes for timely investigating claims are functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

<b>Standard VII-3. Claims are resolved in a timely manner.</b>
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Objective: The Standard addresses the timeliness of the Company's claim settlements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-2.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. INS selected paid, denied and closed without payment claims to determine whether the claim was resolved in a timely manner.

Transaction Testing Results:

Findings: None.

Observations: INS noted that claims were handled in a timely manner. Based upon testing, the Company's processes for timely handling claims are functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

**Standard VII-4. The regulated entity responds to claim correspondence in a timely manner.**

*Objective:* The Standard addresses the timeliness of the Company's response to all claim correspondence. See Standard VI-6 for testing of statutorily-required non-claim correspondence. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company handles claims in product specific units and all correspondence is handled through those units.

*Controls Reliance:* Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

*Transaction Testing Procedure:* INS reviewed claims handling policies and procedures. INS selected paid, denied and closed without payment claims to determine whether the Company responds to claim correspondence in a timely manner.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* There were no instances of delayed claim correspondence noted during the file reviews. Based upon testing, the Company's processes for providing timely responses to claims correspondence are functioning in accordance with its policies, procedures and statutory requirements.

*Recommendations:* None.

**Standard VII-5. Claim files are adequately documented.**

*Objective:* The Standard addresses the adequacy of information maintained in the Company's claim files. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company maintains claim files in the individual areas responsible for claim payment.
- Claim file documentation varies by the area handling the claims activity.

*Controls Reliance:* Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

*Transaction Testing Procedure:* INS reviewed claims handling policies and procedures. INS selected files from paid, denied and closed without payment claims to determine whether documentation was adequate.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's claim handling processes for documenting claim files are functioning in accordance with its policies and procedures.

Recommendations: None.

**Standard VII-6. Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPPA), rules and regulations.**

Objective: The Standard addresses whether the claim appears to have been paid for the appropriate amount to the appropriate claimant/payee and whether the Company provides appropriate protection of confidential information. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company procedures require reference to the policy contract for claim provisions.
- The Company has specific procedures designed to maintain appropriate controls of personal and confidential claimant information.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. INS reviewed this Standard during the testing of paid, denied and closed without payment files.

Transaction Testing Results:

Findings: None.

Observations: The claim files testing found the Company is following established procedures for the review and payment of claims in an appropriate and timely manner. Based upon testing, the Company's claim handling processes for handling claims are functioning in accordance with its policies and procedures.

Recommendations: None.

**Standard VII-7. Regulated entity claim forms are appropriate for the type of product.**

Objective: The Standard addresses the Company's use of claim forms that are proper for the type of product. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company receives claim notifications from a variety of sources.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. INS reviewed this Standard during the testing of paid and denied claim file reviews.

Transaction Testing Results:

Findings: None.

Observations: The Company is using appropriate claim forms for the product offerings and is in compliance with this Standard.

Recommendations: None.

**Standard VII-8. Claim files are reserved in accordance with the regulated entity's established procedures.**

Objective: The Standard addresses the Company's process to establish and monitor claim reserves for reported losses. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company establishes reserves at the time a claim is initiated.
- Claim reserves are modified through the process of adjudication.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. Claim reserves are established at the time a claim is initiated and reviewed throughout the claim process to ensure appropriate reserves are established.

Transaction Testing Results:

Findings: None.

Observations: The Company's processes for evaluating, establishing and adjusting reserves are functioning in accordance with its policies and procedures.

Recommendations: None.

**Standard VII-9. Denied and closed-without-payment claims are handled in accordance with policy provisions and state law.**

Objective: The Standard addresses the adequacy of the Company's decision making and documentation of denied and closed-without-payment claims. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company conducts internal reviews of claim files to review handling practices.
- Claim denials are reviewed internally prior to notification to the claimant.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. INS selected a sample of denied and closed without payment files for review.

Transaction Testing Results:

Findings: None.

Observations: The Company's claim handling and denial practices are reasonable and in accordance with its policies, procedures, and statutory requirements. Observed instances of claim closure and denial were appropriate for the claim handling process.

Recommendations: None.

**Standard VII-10. Cancelled benefit checks and drafts reflect appropriate claim handling practices.**

Objective: The Standard addresses the Company's procedures for issuing claim checks as it relates to appropriate claim handling practices. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-2.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed paid claims during the examination. Benefit check



payments were considered as part of the file review.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's claim check issuance procedures were appropriate and functioning in accordance with its policies and procedures. No significant delays were noted between claim assessment and payment of benefits.

Recommendations: None.

**Standard VII-11. Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.**

Objective: The Standard addresses whether the Company's claim handling practices force claimants to (a) institute litigation for the claim payment, or (b) accept a settlement that is substantially less than due under the policy. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company maintains documented claim files to support claims payment or denial decisions.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. INS selected paid and denied claims for review during the examination.

Transaction Testing Results:

Findings: None.

Observations: There were no findings of unfair transactions made by the Company during the claims process that would compel litigation. The Company is in compliance with this Standard.

Recommendations: None.

**Standard VII-12. Regulated entity uses reservation of rights and excess of loss letters, when appropriate.**

Objective: The Standard addresses the use of reservation of rights and excess of loss letters to ensure they are appropriately utilized. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

- Written policies and procedures govern the Company's claims handling processes.
- The use of reservation of rights and excess loss is limited.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures and the Company's use of reservation of rights letters.

Transaction Testing Results:

Findings: None.

Observations: The Company provided two cases where reservation of rights letters were provided to the claimant. The letters were appropriate in the instances observed. Based upon testing, INS found the Company to be in compliance with this Standard.

Recommendations: None.

**Standard VII-13. Deductible reimbursement to insureds upon subrogation recovery is made in a timely and accurate manner.**

Objective: The Standard is concerned with whether the Company's claim handling practices appropriately provide for deductible reimbursement when funds are recovered through subrogation. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- Subrogation activities include provision for the reimbursement of deductibles when appropriate.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: This Standard was tested during the review of subrogated claim files.

Transaction Testing Results:

Findings: None.

Observations: There were no instances observed where deductible reimbursement should have been made but was not handled. The Company is in compliance with this Standard.

Recommendations: None.

**Standard VII-14. Loss statistical coding is complete and accurate.**

Objective: The Standard is concerned with whether the Company accurately provides statistical coding as required. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company codes losses during the claim handling process.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: This Standard was tested during the review of paid and denied claim samples.

Transaction Testing Results:

Findings: None.

Observations: The Company codes losses in accordance with claims handling guidelines.

Recommendations: None.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

**SUMMARY**

Based upon the procedures performed in this examination, INS has reviewed and tested company operations/management, complaint handling, marketing and sales, producer licensing, policyholder service, underwriting and rating, and claims in accordance with the standards as set forth in the *2011 NAIC Market Regulation Handbook*, the examination standards of the Division, and the Commonwealth of Massachusetts' insurance laws, regulations and bulletins. The Division has mandated required actions to address concerns in the area of producer licensing.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
ONEBEACON GROUP OF COMPANIES

**ACKNOWLEDGEMENT**

This is to certify that the undersigned is duly qualified and that, in conjunction with INS Regulatory Insurance Services, Inc., applied certain agreed-upon procedures to the corporate records of the Company in order for the Division of the Commonwealth of Massachusetts to perform a comprehensive market conduct examination of the Company.

The undersigned's participation in this comprehensive 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. This participation consisted of involvement in the planning (development, supervision and review of agreed-upon procedures), administration and preparation of the comprehensive examination report.

The cooperation and assistance of the officers and employees of the Company extended to all examiners during the comprehensive examination is hereby acknowledged.

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Matthew C. Regan III  
Director of Market Conduct &  
Examiner-In-Charge  
Commonwealth of Massachusetts  
Division of Insurance  
Boston, Massachusetts