



**THE COMMONWEALTH OF MASSACHUSETTS**

**OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION**

**DIVISION OF INSURANCE**

*Report on the Comprehensive Market Conduct Examination of*

*Plymouth Rock Assurance Corporation*

*Pilgrim Insurance Company*

*Plymouth Rock Home Assurance Corporation (f/k/a Bunker Hill  
Insurance Company)*

*Bunker Hill Insurance Casualty Company*

*Bunker Hill Preferred Insurance Company*

*Bunker Hill Property Insurance Company*

*Bunker Hill Insurance Company (f/k/a Bunker Hill Security  
Insurance Company)*

*Boston, Massachusetts*

*For the Period January 1, 2018 through December 31, 2018*

**NAIC COMPANY CODES: 14737, 21750, 10394, 13643, 16035, 16036, 16037**

**EMPLOYER ID NUMBERS: 04-2800590, 04-3002627, 04-3292991, 27-0291558,  
81-4264194, 81-4241799, 81-4251836**

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

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AND BUSINESS REGULATION

**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

February 16, 2021

The Honorable Gary D. Anderson  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, Massachusetts 02118-6200

Dear Commissioner Anderson:

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

**PLYMOUTH ROCK ASSURANCE CORPORATION**  
**PILGRIM INSURANCE COMPANY**  
**PLYMOUTH ROCK HOME ASSURANCE CORPORATION (F/K/A BUNKER HILL INSURANCE**  
**COMPANY)**

**BUNKER HILL INSURANCE CASUALTY COMPANY**  
**BUNKER HILL PREFERRED INSURANCE COMPANY**  
**BUNKER HILL PROPERTY INSURANCE COMPANY**  
**BUNKER HILL INSURANCE COMPANY (F/K/A BUNKER HILL SECURITY INSURANCE COMPANY)**

at their home offices located at:  
695 Atlantic Avenue  
Boston, MA 02111

The following report thereon is respectfully submitted.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
PLYMOUTH ROCK GROUP

## SCOPE OF EXAMINATION

The Massachusetts Division of Insurance (the “Division”) conducted a comprehensive market conduct examination (“examination”) of Plymouth Rock Assurance Corporation (“PRAC”) and Pilgrim Insurance Company (“PIC”), along with Plymouth Rock Home Assurance Corporation (f/k/a Bunker Hill Insurance Company), Bunker Hill Insurance Casualty Company, Bunker Hill Insurance Company (f/k/a Bunker Hill Security Insurance Company), Bunker Hill Property Insurance Company, and Bunker Hill Preferred Insurance Company (collectively, “Bunker Hill Companies”) for the period January 1, 2018 to December 31, 2018, with focus on Massachusetts personal lines operations. PRAC, PIC and the Bunker Hill Companies are collectively referred to as “the Company”. The examination was called pursuant to authority in Massachusetts General Laws Chapter (“M.G.L. c.”) 175, § 4. The examination was conducted at the direction of, and under the overall management and control of, the examination staff of the Division. Representatives from the firm of Rudmose & Noller Advisors, LLC (“RNA”) were engaged to complete certain agreed upon procedures.

## EXAMINATION APPROACH

A tailored examination approach was developed using the guidance and standards of the *2018 NAIC Market Regulation Handbook*, (“the Handbook”) the examination standards of the Division, the Commonwealth of Massachusetts’ insurance laws, regulations and bulletins, and applicable 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 financial examination of the Company. For those objectives, RNA and the market conduct examination staff relied on 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 Company’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 Company’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” along with a recommendation is considered a departure from an industry best practice. The Division recommends that Company 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 Company shall report to the Division any such corrective actions taken.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
PLYMOUTH ROCK GROUP

**EXECUTIVE SUMMARY**

This summary of the examination of the Company 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 Company actions. Company 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 Company 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 in company operations/management or policyholder service. The examination indicated that the Company meets all tested Company policies, procedures and statutory requirements in these areas. Further, the tested Company practices generally appear to meet industry best practices in these areas.

Recommendations and required actions noted in this examination are as follows:

**SECTION II-COMPLAINT HANDLING**

**STANDARD II-1**

Findings: The PRAC complaint log was missing one Division complaint. The failure to maintain a complete complaint log is a violation of M.G.L. c. 176D, § 3(10). Also, the Bunker Hill Companies' complaint logs do not include the Division complaint number on the logs, which makes it difficult to match the complaint with the Division's data.

Observations: Based on testing, the Company's complaint registers included all statutorily-required database elements. Also, except as noted above, the Company's complaint registers properly included all Division complaints.

Required Actions: The Company shall implement new procedures to ensure that the complaint logs are complete and include all complaints filed against the Company. Also, the Company shall ensure that the Division complaint number is contained on the complaint logs, for complaints provided from the Division.

Subsequent Company Actions: The Company has implemented new procedures to ensure that the Company's complaint logs include all complaints filed against the Company, and include the Division complaint number, for complaints provided from the Division.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
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**SECTION III-MARKETING AND SALES**

**STANDARD III-1**

*Findings:* The private passenger automobile marketing criteria provided to the two on-line aggregators included criteria about consumers' voluntarily self-described credit status, when asked, to be used in determining whether to bid on the right to have on-line advertising displayed to the consumer. The Division considers this to be a use of credit information in underwriting in violation of M.G.L. c. 175E, § 4.

*Observations:* Except as noted above, the use of social media sites was limited to promoting brand awareness, and the Company's website disclosure complies with Division requirements. RNA noted no evidence of the use of unapproved sales materials as part of new and renewal business testing.

*Required Actions:* The Company shall remove the criteria about credit information from directives given to its on-line aggregators.

*Subsequent Company Actions:* Although the Company respectfully disagrees with the Division's conclusion that use of a consumer's voluntarily provided self-described credit status for determining where to target its advertising constitutes the use of credit in underwriting, the Company has removed the criteria about credit information from the directives given to its on-line aggregators.

**SECTION IV-PRODUCER LICENSING**

**STANDARD IV-3**

*Findings:* Two agency appointment terminations were not timely reported in the Division's On-Line Producer Appointment ("OPRA") System in violation of M.G.L. c. 175, § 162T, which requires termination in the OPRA System within 30 days.

*Observations:* Based upon testing, except as noted above, the Company properly notified the Division of agent terminations through the OPRA System, in compliance with statutory requirements. Also, the notices to the agents met statutory requirements.

*Required Actions:* The Company shall review its controls and procedures and make any necessary changes to ensure that timely agent appointment terminations are reported in the OPRA System in accordance with M.G.L. c. 175, § 162T. Also, the Company shall provide training and guidance to staff about agency appointment terminations. Finally, the Company shall conduct a detailed internal audit by December 31, 2021, or another date acceptable to the Division, to ensure that this required action has been properly implemented. The Company shall provide the internal audit report to the Division.

*Subsequent Company Actions:* The Company has adopted new agency appointment termination procedures and will conduct an audit to ensure that the new procedures are functioning as designed, and report the results of the audit to the Division.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
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## SECTION VI-UNDERWRITING AND RATING

### STANDARD VI-1

Findings: For each of the 10 PIC vacated surcharges tested, the number of days to report the vacated at-fault determination to the Comprehensive Loss Underwriting Exchange (“CLUE”) ranged from 82-489 days in violation of Division Bulletin 2010-11, which requires that the Company must report the reversal of the at-fault indicator to CLUE within 15 days of the notice received of the Board of Appeal’s decision to vacate the at-fault determination.

Observations: Based upon testing, the Company appears to calculate policy premiums and discounts in compliance with its policies, procedures, and statutory requirements, and in compliance with rates filed with the Division. Also, through claims testing, at-fault accident determinations and comprehensive claims were timely reported to the Merit Rating Board (“MRB”), and Surcharge Notices were properly provided to at-fault operators. Except as noted above, CLUE reporting of vacated at-fault accident determinations was timely, and at-fault determinations reversed by the Board of Appeal were properly and timely processed.

Required Actions: The Company shall review its controls and procedures and make any necessary changes to ensure that at-fault accident determinations are reported within 15 days to CLUE in accordance with Bulletin 2010-11. Also, the Company shall provide training and guidance to staff about timely CLUE reporting. Finally, the Company shall conduct a detailed internal audit by December 31, 2021, or another date acceptable to the Division, to ensure that these required actions have been properly implemented. The Company shall provide the internal audit report to the Division.

Subsequent Company Actions: In July 2019 the Company implemented process improvements to ensure timely reporting to CLUE of vacated at-fault accident determinations. The Company will conduct an audit to ensure that the procedures are operating as designed, and will provide the audit to the Division.

## SECTION VII-CLAIMS

### STANDARD VII-6

Findings: RNA testing noted that one homeowners property claim file had no evidence that a notice letter was provided to the municipal authority in violation of M.G.L. c. 139, § 3B.

Observations: Based upon testing and except as noted above, it appears that the Company handles claims in accordance with policy provisions and statutory requirements.

Required Actions: The Company shall provide training and guidance to staff about providing proper and timely municipal letters.

Subsequent Company Actions: The Company is providing this training and guidance to claims staff.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
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STANDARD VII-13

Findings: None.

Observations: RNA noted none of the four homeowners claims examined where there was a potential for subrogation resulted in reimbursement of the insured's deductible due to subrogation. We noted that for two homeowners claims, subrogation efforts were insufficient, and thus the Company is reopening the claims to complete thorough subrogation investigations in accordance with its policies and procedures.

Required Actions: After thorough subrogation investigations are completed, if the Company determines that subrogation is warranted, the Company shall make efforts to collect the related recoveries. Also, for one of the claims that incurred a deductible, if the subrogation recovery is made, the insured's deductible shall be returned. Finally, the Company shall provide training and guidance to staff about conducting thorough and timely subrogation procedures when warranted.

Subsequent Company Actions: The Company has conducted subrogation investigations on the two claims and determined that in both cases, that subrogation was not an option. For one claim, which involved burst pipes in a condominium, the condominium documents contained a waiver of subrogation among all unit owners and the condominium association. For the other claim, which involved a theft, law enforcement closed its investigation without having identified the thief. Also, the Company is providing training and guidance to staff about conducting thorough and timely subrogation procedures.



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**COMPANY BACKGROUND**

The Plymouth Rock Company Incorporated (“PRC”), the ultimate controlling entity of the Company, is a privately held company founded in 1982, and headquartered in Boston. Its business is the ownership and management of property and casualty insurance companies, specializing in coverage for personal and commercial automobiles, and homes. PRAC, PIC and the Bunker Hill Companies sell policies through a network of independent agents. PRAC and PIC sell private passenger automobile and commercial automobile business. PIC services PRAC’s assignments under the Massachusetts Automobile Insurance Plan (“MAIP”), acts as a MAIP Limited Assignment Distribution Carrier for 20 unaffiliated insurers, and serves as a Servicing Carrier under the Commonwealth Automobile Reinsurers (“CAR”) Commercial Servicing Carrier Program. The Bunker Hill Companies sell various homeowners coverages.

The individual insurers within the Company maintain a financial strength rating of A- (Excellent) from A.M. Best. The following financial information is as of, or for the year ended December 31, 2018:

Plymouth Rock Assurance Corporation

|   |                 |
|---|-----------------|
| Admitted assets                                 | \$721.3 million |
| Statutory surplus                               | \$244.3 million |
| Massachusetts business - direct written premium | \$345.9 million |

Pilgrim Insurance Company

|   |                 |
|---|-----------------|
| Admitted assets                                 | \$103.3 million |
| Statutory surplus                               | \$24.9 million  |
| Massachusetts business - direct written premium | \$72.0 million  |

Plymouth Rock Home Assurance Corporation (f/k/a Bunker Hill Insurance Company)

|   |                |
|---|----------------|
| Admitted assets                                 | \$66.6 million |
| Statutory surplus                               | \$38.0 million |
| Massachusetts business - direct written premium | \$36.6 million |

Bunker Hill Insurance Casualty Company

|   |                |
|---|----------------|
| Admitted assets                                 | \$19.8 million |
| Statutory surplus                               | \$6.3 million  |
| Massachusetts business - direct written premium | \$9.1 million  |

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Bunker Hill Preferred Insurance Company

|   |                |
|---|----------------|
| Admitted assets                                 | \$17.6 million |
| Statutory surplus                               | \$5.7 million  |
| Massachusetts business - direct written premium | \$4.1 million  |

Bunker Hill Property Insurance Company

|   |                |
|---|----------------|
| Admitted assets                                 | \$17.5 million |
| Statutory surplus                               | \$5.7 million  |
| Massachusetts business - direct written premium | \$4.1 million  |

Bunker Hill Insurance Company (f/k/a Bunker Hill Security Insurance Company)

|   |                |
|---|----------------|
| Admitted assets                                 | \$17.7 million |
| Statutory surplus                               | \$5.7 million  |
| Massachusetts business - direct written premium | \$4.7 million  |

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

## 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> |
|--|

*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's statutory financial statements are audited annually by an independent auditor.
- PRC's Board of Directors is comprised of nine directors, including the Chief Executive Officer, President and Chief Operating Officer, Treasurer, a Vice President, and five independent directors.
- The PRC Audit Committee's responsibilities include financial oversight, engagement and communication with the independent auditor and oversight of the internal audit function. The Audit Committee approves the internal audit plan annually, reviews risk management processes, and reviews internal audit reports issued.
- The Company made its first Corporate Governance Annual Disclosure ("CGAD") filing with the Division in July 2020.
- The internal audit plan is focused on operational, financial, and information technology risks. When findings are noted in the internal audit reports, the internal audit staff perform follow up testing to ensure that proper corrective actions have been taken. These follow up activities are also reported to the Audit Committee.
- PRC has an Enterprise Risk Management ("ERM") Committee comprised of multi-disciplined corporate officers including the internal audit director. The ERM Committee is charged with evaluating enterprise risk management including catastrophe, claims costs management, investment, competition, distribution channel, new products, markets and strategic initiatives, information technology, regulatory, compliance and internal control risk categories. The ERM Committee meets monthly and reports periodically to the Board of Directors.
- In 2019, an expanded audit structure was initiated to focus resources on the enterprise rather than geographic location and functions. As such, a Compliance Group, led by the Chief Legal Officer was formed to focus on compliance-related audits. The Chief Legal Officer reports to the Audit Committee.
- The Code of Ethics and Conflict of Interest Policy are contained in the Staff Manual. Criminal, educational and credit background checks of candidates are conducted prior to hiring new employees to comply with U.S Code 1033 requirements regarding convicted felons. Periodically, the Staff Manual is updated and re-distributed to employees with a brief summary of any changes. When an updated version is re-distributed, all employees are asked to read it, and are required to acknowledge they have received it. Officers and Directors must annually complete a conflict of interest questionnaire and disclose any conflicts of interest. Finally, the Company has implemented a whistleblower policy to accept anonymous complaints or concerns from employees through a hotline managed by an outside vendor.

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- The Company is subject to periodic premium and loss data audits by CAR for compliance with statutes and CAR Rules of Operation. CAR is the industry-operated residual market and statistical agent for automobile insurance in Massachusetts. Participation in CAR is mandatory for all insurers writing private passenger automobile insurance in Massachusetts.
- The Company's customer service department has a quality assurance program that includes a randomized review of recorded customer service calls. Twenty such calls per service representative are scored for coaching opportunities four times per year, per representative.
- Homeowners underwriting supervisors complete monthly quality assurance audits for all underwriting staff, with the audits used for training and performance reviews.
- Within the claims department, management has established a quality assurance program, whereby randomly selected claims are reviewed and evaluated for adherence to policies and procedures using a detailed questionnaire. Auto claim supervisors review monthly a random selection of three open and closed claims per representative. Also, claims department directors review a random sample of the quality assurance files reviewed to evaluate and monitor the process. For homeowners claims, management performs structured quality assurance reviews of pending and recently closed property cases, and reviews three claims per adjuster per month.
- The Company conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance matters. PRAC annually reviews a sample of 20-40 policies at 10-30 agencies per year, and the Bunker Hill Companies audit five to 10 agencies per year.

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: RNA reviewed Board of Director minutes, the Audit Committee Charter, the Internal Audit Charter, the ERM Committee Charter, the internal audit plan and risk assessment, various internal audit reports, the ERM Summary, and the CGAD.

Transaction Testing Results:

Findings: None.

Observations: The Board of Director minutes, the Audit Committee Charter, the Internal Audit Charter, the ERM Committee Charter, the internal audit plan and risk assessment, various internal audit reports, the ERM Summary, and the CGAD were reviewed by RNA. These documents provided detailed information on corporate governance and actions, audit procedures performed, audit findings, enterprise risk assessments, and recommendations for improvement when identified.

Recommendations: None.

|   |
|---|
| <b>Standard I-2. The regulated entity has appropriate controls, safeguards and procedures for protecting the integrity of computer information.</b> |
|---|

No work performed. All required activity for this Standard is included in the scope of the ongoing statutory financial examination of the Company.

**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 efforts. See Appendix A for applicable statutes, regulations and bulletins.

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

- The claims function includes a Special Investigation Unit ("SIU") in the home office that supports claims operations. Claim representatives receive training regarding SIU red flags and use judgment to make referrals to SIU; however, the claims representative maintains ownership of the claims adjudication. SIU is responsible for coordinating with the Division's Insurance Fraud Bureau, in cases where fraud may have occurred, to assist with criminal investigation and prosecution.
- All auto theft claims are reported to the National Insurance Crime Bureau ("NICB").
- Criminal, educational and credit background checks of candidates are conducted prior to hiring new employees to comply with U.S Code 1033 requirements regarding convicted felons.
- For Office of Foreign Asset Control ("OFAC") compliance, the Company uses Bridger software, which is maintained by a third party vendor, to screen all claim payments and new insurance applicants daily against the Specially Designated Nationals ("SDN") database.

*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:* RNA 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:* The Company has adopted reasonable procedures related to antifraud initiatives, compliance procedures, code of conduct policies, and prospective employee hiring. Based upon underwriting and claims testing, it appears that the Company has antifraud initiatives in place that are reasonably designed to detect, prosecute, and prevent fraudulent insurance acts.

*Recommendations:* None.

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

No work performed. All required activity for this Standard are included in the scope of the ongoing statutory financial examination of the Company.

**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's sales distribution is primarily through independent agencies and agents. The Company verifies that agencies and individual agents are properly licensed as Massachusetts producers prior to contracting with them. Standard independent agent contracts contain terms and conditions that address general authorities, duties, premium accounting, commission rates, premium submission, termination provisions, marketing material requirements, privacy and general business procedures.
- The Company obtains business directly from consumers through its website. The Company works with two on-line aggregators, to help drive traffic to the site. If the consumer wishes to pursue a quote with the Company, the consumer clicks on a Company banner, and is taken to the Company's website to obtain a quote.
- The Company's SIU supports the claims operations with field investigations and surveillance using approved vendors as needed.
- The Company uses independent field appraisers to supplement its employee claims field staff as needed, and uses third party vendors for auto glass claims and car rentals.
- Certain claims litigation defense duties are outsourced to various law firms and attorneys.

*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:* RNA interviewed management about its use of third parties to perform Company functions, and the monitoring procedures conducted over these third parties. Further, RNA reviewed the standard agency contracts as part of testing in producer licensing.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, it appears that the Company's contracts with entities assuming a business function on its behalf comply with statutory and regulatory requirements.

*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 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: RNA interviewed management about its monitoring of third parties that perform Company functions. As part of marketing and sales, producer licensing, new and renewal business, and claims testing, RNA reviewed documentation that supports monitoring procedures performed.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, it appears that the Company is monitoring the 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 a Records and Data Management Policy.
- The Policy notes record retention requirements, including guidelines for management, record maintenance, record disposal, 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: RNA inquired about the Company's record retention policies and evaluated them for reasonableness.

Transaction Testing Results:

Findings: None.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
PLYMOUTH ROCK GROUP

Observations: The Company's record retention policies appear reasonable. Testing results relating to documentation evidence are also noted in the various examination standards.

Recommendations: None.

|   |
|---|
| <b>Standard I-8. The regulated entity is licensed for the lines of business that are being written.</b> |
|---|

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: RNA 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:

Findings: None.

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

Recommendations: None.

|  |
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| <b>Standard I-9. The regulated entity cooperates on a timely basis with examiners performing the examinations.</b> |
|--|

Objective: This Standard addresses the Company's cooperation during 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.

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. 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:

- Company policy requires that a consumer privacy notice be provided to applicants when a new personal lines policy is issued, and annually with renewal notices. The Company also provides the consumer privacy notice and the internet privacy policy on its website.
- Company policy allows for the sharing of personal financial and health information with affiliates and non-affiliates, who provide services to the Company. Company policy is to disclose information only as required or permitted by law to regulators, law enforcement agencies, antifraud organizations, and third parties who assist the Company in processing business transactions for its customers.
- The Company does not sell or share information with anyone for marketing purposes except with its independent agents under the joint marketing agreement exception to the Gramm-Leach-Bliley Act ("GLBA"), as explained in its Privacy Policy, so there is no need to provide policyholders with opt out rights.
- Company management does not obtain investigative consumer reports on customers as part of underwriting, and does not conduct pretext interviews.
- Company policy requires that its information technology security practices safeguard nonpublic personal financial and health information. The Company periodically conducts information systems risk assessments to consider, document, and review information technology security threats and controls, and to continually improve information technology systems security.
- Only individuals approved by management are granted access to key electronic and operational areas where nonpublic personal, financial, and health information is located.

*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:* RNA interviewed Company personnel with responsibility for privacy and information security compliance, reviewed documentation supporting its privacy and information security policies and procedures, and sought any evidence of improper privacy practices as part of personal lines underwriting and claims testing.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon review, underwriting testing, and claims testing, the Company's privacy and information security practices appear to minimize any improper intrusion into individuals' privacy in accordance with 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.**

*Objective:* This Standard addresses whether the Company has developed and implemented written standards for the management of insurance information. This standard relates to privacy matters and is evaluated elsewhere in this section. See Appendix A for applicable statutes, regulations and bulletins.

**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.**

*Objective:* This Standard addresses policies and procedures to ensure privacy of nonpublic personal information. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* See Standard I-10.

*Controls Reliance:* See Standard I-10.

*Transaction Testing Procedure:* RNA interviewed Company personnel with responsibility for privacy compliance, and reviewed documentation supporting its privacy policies and procedures. As part of underwriting and claims testing, RNA reviewed documentation for any evidence that the Company improperly provided personal information to inappropriate parties.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon RNA's review, the Company's policies and procedures adequately protect consumers' nonpublic personal information. RNA noted no instances where the Company improperly provided personal information to inappropriate parties in conjunction with underwriting and claims testing.

*Recommendations:* None.

**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.**

*Objective:* This Standard addresses the Company's practice of providing privacy notices to customers and consumers. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* See Standard I-10.

*Controls Reliance:* See Standard I-10.

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Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for privacy compliance, reviewed documentation its supporting privacy policies and procedures, and examined whether the privacy notice provided sufficient information and disclosures. RNA selected 25 private passenger automobile policies and 25 homeowners policies issued or renewed during the examination period, to test whether a proper privacy notice was provided.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company provides a sufficient privacy notice to customers regarding its treatment of non-public personal financial information.

Recommendations: None.

**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.**

Objective: This Standard addresses policies and procedures related to opt out rights. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for privacy compliance, and reviewed documentation supporting its privacy policies and procedures.

Transaction Testing Results:

Findings: None.

Observations: The Company is not required to offer opt out rights, since the Company does not share information with non-affiliates except with its independent agents under the joint marketing agreement exception to the GLBA, as explained in its Privacy Policy.

Recommendations: None.

**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.**

Objective: This Standard addresses the Company's collection and use of nonpublic personal financial information. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-10.

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Controls Reliance: See Standard I-10.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for privacy compliance, and reviewed documentation supporting its privacy policies and procedures. RNA also reviewed underwriting and claims documentation for any evidence that the Company improperly collected, used or disclosed nonpublic personal financial information in conjunction with testing of underwriting and claims.

Transaction Testing Results:

Findings: None.

Observations: Based upon RNA's review, and testing in conjunction with underwriting and claims, the Company's policies and procedures provide reasonable assurance that the Company properly collects, uses, and discloses nonpublic personal financial information.

Recommendations: None.

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| <p><b>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.</b></p> |
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Objective: This Standard addresses efforts to maintain privacy of nonpublic personal health information. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for privacy compliance, and reviewed supporting documentation. RNA also sought any evidence that the Company improperly disclosed nonpublic personal health information in conjunction with testing of underwriting and claims.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, RNA noted no instances where the Company improperly disclosed nonpublic personal health information in conjunction with testing of underwriting and claims.

Recommendations: None.

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

Objective: This Standard addresses the Company's information security efforts to ensure that nonpublic consumer information is protected. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

Transaction Testing Procedure: RNA reviewed documentation supporting the Company's information technology security policies and procedures. Review of information technology access and authorization controls is included in the scope of the Division's statutory financial examination of the Company.

Transaction Testing Results:

Findings: None.

Observations: Based upon RNA's review of the Company's information technology security policies and procedures, it appears that the Company has implemented an information technology security program, which appears to provide reasonable assurance that its information technology systems protect nonpublic customer information.

Recommendations: None.

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

Objective: This Standard addresses the Company's annual reporting of statutorily-required MCAS personal lines data. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's policy administration, underwriting, and claims systems compile and retain underwriting and claims data for inclusion in the Market Conduct Annual Statement ("MCAS").
- The Company reviews the draft MCAS filings for unusual items, and makes changes to the draft filing as appropriate prior to submission of the MCAS to the NAIC.
- The Company's policy administration, underwriting, and claims systems compile and retain homeowners underwriting and claims data for inclusion in the annual homeowners data submission to 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.

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Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for underwriting and claims processing. RNA reviewed the 2018 Massachusetts MCAS data for unusual results and data consistency.

Transaction Testing Results:

Findings: None.

Observations: RNA's review of the Company's 2018 Massachusetts MCAS data indicated that underwriting and claims data appeared reasonable and consistent with examination data. RNA's review of the homeowners underwriting, and claims data filed with the Division indicated no unusual data or concerns.

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 Standards:

- The Company defines a complaint as any written correspondence expressing a grievance. Concerns expressed by phone in the operational areas are handled in those areas and are not considered complaints.
- The Company uses social media only as a means to promote brand awareness. A member of the Corporate Communications Department monitors the social media sites, and refers any complaints to the appropriate business unit for a response in accordance with written procedures.
- All complaints received from the Division are circulated to senior management, and legal, claims and underwriting management.
- The Assistant to the President populates the PRAC complaint log and tracks the complaint through its resolution. For complaints received from the Division, the assigned department management drafts a written response, and forwards the response to the Legal Department for review. A final draft of the response is sent to the President for her signature, and the response is sent to the Division. A copy of the response is kept by the Assistant to the President, to ensure that the remaining complaint data points are entered into the Company's complaint register.
- The Bunker Hill Companies and PIC have similar complaint handling processes except that the Bunker Hill Companies' complaint logs are maintained, and final complaint responses are sent by, a Vice President, and PIC complaint logs are maintained by the Claims Director, and final complaint responses are sent by the Claims Director or a Vice President. The Legal Department reviews all complaints before they are signed and mailed.
- The Company's complaint registers contain each of the statutorily-required elements, including the classification of each complaint by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint. Also, the Company maintains separate complaint registers for each statutory insurance company by jurisdiction.
- The Company reviews all complaint activity for identification of any recurring, systemic or potential problems. Management reporting of complaint activity or trends is provided as needed.

*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:* RNA interviewed management and staff responsible for complaint handling, and examined evidence of the Company's related processes and controls. RNA reviewed the Company's 2018 and early 2019 complaint registers to evaluate compliance with statutory complaint requirements. RNA also reviewed the Company's 2018 and early 2019 complaint registers to determine whether it properly contained all Division complaints.

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Transaction Testing Results:

Findings: The PRAC complaint log was missing one Division complaint. The failure to maintain a complete complaint log is a violation of M.G.L. c. 176D, § 3(10). Also, the Bunker Hill Companies' complaint logs do not include the Division complaint number on the logs, which makes it difficult to match the complaint with the Division's data.

Observations: Based on testing, the Company's complaint registers included all statutorily-required database elements. Also, except as noted above, the Company's complaint registers properly included all Division complaints.

Required Actions: The Company shall implement new procedures to ensure that the complaint logs are complete and include all complaints filed against the Company. Also, the Company shall ensure that the Division complaint number is contained on the complaint logs, for complaints provided from the Division.

Subsequent Company Actions: The Company has implemented new procedures to ensure that the Company's complaint logs include all complaints filed against the Company, and include the Division complaint number, for complaints provided from the Division.

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| <b>Standard II-2. The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.</b> |
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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.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: RNA interviewed management and staff responsible for complaint handling, and examined evidence of the Company's related processes and controls. RNA tested 17 complaints from 2018 and early 2019 to evaluate compliance with statutory complaint requirements. RNA reviewed the complaint handling for these complaints, including the adequacy of documentation supporting the facts and resolution of the complaints. In addition, RNA reviewed the Company's website and communications to consumers, to determine whether the Company provides contact information for consumer inquiries.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, RNA noted that the Company has adequate procedures in place to address complaints, and adequately communicates such procedures to policyholders and consumers.

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: RNA interviewed management and staff responsible for complaint handling, and examined evidence of the Company's related processes and controls. RNA tested 17 complaints from 2018 and early 2019 to evaluate the Company's efforts to properly dispose of complaints.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that the Company fully addressed the issues raised in the complaints tested. Documentation for the complaints appeared complete, including the original complaints and related correspondence. Policyholders and consumers with similar fact patterns appeared to be treated consistently and fairly.

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.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: RNA interviewed management and staff responsible for complaint handling, and examined evidence of the Company's related processes and controls. RNA tested 17 complaints from 2018 and early 2019 to evaluate the Company's complaint response times.

Transaction Testing Results:

Findings: None.

Observations: The Company appeared to address timely each of the tested complaints. The Company appears to respond to complaints in a timely manner in accordance with its policies, procedures, and regulatory requirements.

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 addresses 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 conducts marketing and advertising campaigns across multiple channels, including TV, radio, billboards, online, social media, email, and through search engines.
- The Company has created marketing programs with the New England Patriots and the Boston Bruins, where consumers may purchase low-cost endorsements, which provide discounts to tickets and team paraphernalia, a rideshare benefit, and additional car rental coverage.
- In 2018, the Company marketed through AARP an endorsement to provide its members a discount, and guaranteed renewable coverage, as long as consumers pay premiums, maintain good driving, and meet other conditions in the endorsement.
- The Company promotes its "Road Rewards" program, developed by a third party vendor, where insureds download a free phone application. When the phone is in the car, the application monitors the consumer's driving for speed, quick stops, and evaluates safe driving. For safe driving, consumers get rewards points, which they can redeem for gift cards at retailers. The results are not used for the insured's underwriting or rating, and the Company does not know the results of any individual's driving habits. The Company receives only bulk driving data about participating consumers.
- The Company obtains business directly from consumers through its website. The Company works with two on-line aggregators, to help drive traffic to its site. If the consumer wishes to pursue a quote with the Company, the consumer clicks on a Company banner, and is taken to the Company's website to obtain a quote. Consumers can also directly access the online quoting tool on the Company's homepage.
- The Company provides its independent agents with sales and marketing materials through its Brand Resource Center, including social media content, for use in agents' individual markets. Materials are predominately intended for use in-office, including handouts, informational materials, signage, and promotional items. External marketing materials provided include social media content and print advertisements. All agency advertising is approved by the corporate marketing team and the legal department.
- The Company discloses its name and address on its website.

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.

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Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for sales and marketing. RNA reviewed the Company's website and social media for disclosure of its name and address, reviewed and evaluated the marketing criteria provided to the two on-line aggregators, and sought any sales and marketing materials noted in new and renewal business testing, for any evidence of use of unapproved sales and marketing materials.

Transaction Testing Results:

Findings: The private passenger automobile marketing criteria provided to the two on-line aggregators included criteria about consumers' voluntarily self-described credit status, when asked, to be used in determining whether to bid on the right to have on-line advertising displayed to the consumer. The Division considers this to be a use of credit information in underwriting in violation of M.G.L. c. 175E, § 4.

Observations: Except as noted above, the use of social media sites was limited to promoting brand awareness, and the Company's website disclosure complies with Division requirements. RNA noted no evidence of the use of unapproved sales materials in new and renewal business testing.

Required Actions: The Company shall remove the criteria about credit information from directives given to its on-line aggregators.

Subsequent Company Actions: Although the Company respectfully disagrees with the Division's conclusion that use of a consumer's voluntarily provided self-described credit status for determining where to target its advertising constitutes the use of credit in underwriting, the Company has removed the criteria about credit information from the directives given to its on-line aggregators.

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| <b>Standard III-2. Regulated entity internal producer training materials are in compliance with applicable statutes, rules and regulations.</b> |
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Objective: This Standard addresses 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:

- Independent agency relationships are managed through five field marketing representatives, who regularly visit the agencies to provide guidance and training on products, processes and sales assistance.
- Training to agents is completed through on-site visits and webinars, and training information is available to agents through the Company's agent web. On-site training and webinars are provided by technology technical teams, underwriting management, and sales management.
- Continuing education requirement compliance is monitored by the agencies.

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: RNA interviewed Company personnel with responsibility for sales and marketing, and for providing training to independent agencies.

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Transaction Testing Results:

Findings: None.

Observations: Based upon review, the Company's producer training process appears reasonable and appropriate.

Recommendations: None.

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| <b>Standard III-3. Regulated entity communications to producers are in compliance with applicable statutes, rules and regulations.</b> |
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Objective: This Standard addresses 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: See Standard III-2.

Controls Reliance: See Standard III-2.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for sales and marketing, and for providing communications to independent agencies. RNA also reviewed any producer communications for reasonableness as part of new and renewal business testing.

Transaction Testing Results:

Findings: None.

Observations: Based on review, procedures for independent agency communications appear appropriate and reasonable. RNA noted no evidence of the use of unreasonable producer communications as part of new and renewal business testing.

Recommendations: None.

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| <b>Standard III-4. The regulated entity's mass marketing of property/casualty insurance is in compliance with applicable statutes, rules and regulations.</b> |
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Objective: This Standard addresses the Company's marketing to individuals as members of employer or other groups by the Company's producers in accordance with regulatory requirements and Company policies and procedures. 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 underwriting and rating policies and procedures designed to reasonably assure consistency in classification and rating for mass marketing plans offered to individuals, who are members of employer or other groups.
- The Company's mass marketing plans are filed with the Division for approval.

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- Company policy prohibits unfair discrimination in the application of premium discounts and surcharges, and in the application of its general rating methodology, in accordance with statutory and regulatory requirements for mass marketing plans offered to individuals who are members of employer or other groups.

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: RNA interviewed Company personnel with responsibility for implementation of mass marketing plans offered to individuals, who are members of employer or other groups. RNA tested affinity discounts granted to such individuals as part of new and renewal business to ensure that the discounts agreed to those approved by the Division.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, procedures for implementation of mass marketing plan offered to individuals, who are members of employer and other groups were appropriate and reasonable. As part of new and renewal business, RNA noted seven policies where affinity discounts were provided to insureds.

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 and in jurisdictions where applicable, licensed company or contracted independent adjusters 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 and Standard IV-4:

- The Company's sales distribution is primarily through independent agencies and agents.
- When a prospective producer is evaluated for appointment, the Company's marketing representatives will obtain evidence of the producer license, interview the producer, and review the operations to determine whether the producer will be complimentary to the Company's operations.
- Standard independent agent contracts contain terms and conditions that address general authorities, duties, premium accounting, commission rates, premium submission, termination provisions, marketing material requirements, privacy and general business procedures. Additionally, the Company requires independent agents to maintain errors and omissions coverage of \$1,000,000 and general liability coverage of \$500,000.
- All agencies or agents are appointed through the Division's OPRA System.
- The Company's Senior Marketing Service Specialist reviews the licenses of appointed agencies or agents that are due for renewal to ensure that the licenses are maintained.
- Agent commissions are paid monthly based on new and renewal written premium. Chargebacks are made for policies cancelled mid-term.

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: RNA interviewed individuals with responsibility for producer contracting and processing of agent appointments. RNA selected 25 private passenger automobile policies and 25 homeowners policies issued or renewed during the examination period, to determine whether the agent for each policy was included on the Division's list of the Company's appointed agencies or agents, unless the policy was assigned to PIC by MAIP.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's independent agencies and agents were properly licensed and appointed at the date of sale, and the agents' appointments were included in the Division's OPRA System.

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 licensing and appointment of the Company's producers and continuing education requirements. See Standard IV-1 for testing of producer licensing and agent appointment. See Appendix A for applicable statutes, regulations and bulletins.

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

- Independent agency relationships are managed through five field marketing representatives, who regularly visit the agencies to provide guidance and training on products, processes and sales assistance.
- Training to agents is completed through on-site visits and webinars, and training information is available to agents through the Company's agent web. On-site training and webinars are provided by technology technical teams, underwriting management, and sales management.
- Continuing education requirement compliance is monitored by the agencies.

*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:* RNA interviewed individuals with responsibility for producer contracting, agent appointments, and continuing education. RNA also reviewed the standard independent agency contract for responsibility related to continuing education requirements.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon our review, independent agencies and agents are solely responsible for monitoring and maintaining compliance with the Division's producer continuing education requirements.

*Recommendations:* None.

**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.**

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

*Controls Assessment:* The following controls were noted in review of this Standard and Standard IV-4:

- All Massachusetts agency and agent terminations are processed through the Division's OPRA System, using the date that new and renewal business is no longer accepted by the Company.
- Business generated by the agent may be serviced for up to one year after the appointment

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termination.

- The Company's policy is to give written notice to all agencies and agents whose appointments are terminated. Appointment terminations are processed in accordance with the contract, which generally requires 180 days to terminate the appointment, unless a different period is agreed upon.
- The Company's policy is to give additional information to the Division about agencies and agents whose appointments are terminated "for cause" including the reason for the termination.

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: RNA interviewed individuals with responsibility for producer contracting and appointment termination processing. RNA selected all five agency appointment terminations from 2018, and compared those to information on the Division's appointment termination records. Further, RNA reviewed evidence that notices to the Division and the agents complied with statutory requirements.

Transaction Testing Results:

Findings: Two agency appointment terminations were not timely reported in the Division's OPRA System in violation of M.G.L. c. 175, § 162T, which requires termination in the OPRA System within 30 days.

Observations: Based upon testing, except as noted above, the Company properly notified the Division of agent terminations through the OPRA System, in compliance with statutory requirements. Also, the notices to the agents met statutory requirements.

Required Actions: The Company shall review its controls and procedures and make any necessary changes to ensure that timely agent appointment terminations are reported in the OPRA System in accordance with M.G.L. c. 175, § 162T. Also, the Company shall provide training and guidance to staff about agency appointment terminations. Finally, the Company shall conduct a detailed internal audit by December 31, 2021, or another date acceptable to the Division, to ensure that this required action has been properly implemented. The Company shall provide the internal audit report to the Division.

Subsequent Company Actions: The Company has adopted new agency appointment termination procedures and will conduct an audit to ensure that the new procedures are functioning as designed, and report the results of the audit to the Division.

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| <b>Standard IV-4. The regulated entity's policy of producer appointments and terminations does not result in unfair discrimination against policyholders.</b> |
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Objective: The Standard addresses the Company's policy for ensuring that agency and 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: RNA interviewed individuals with responsibility for producer contracting,



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appointments and terminations. In conjunction with testing of 25 private passenger automobile policies, 25 homeowners policies issued or renewed, and five agency appointment terminations during the examination period, RNA reviewed documentation for any evidence of unfair discrimination against policyholders resulting from the Company's producer appointment and termination policies.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, no evidence of unfair discrimination against policyholders was noted based on the Company's producer appointment and termination policies.

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 producer 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: RNA interviewed individuals with responsibility for producer contracting and appointment termination processing. RNA selected five agency appointment terminations during the examination period, and reviewed the reasons for each appointment termination. RNA also inquired about any agency and agent that was terminated "for cause" during the examination period.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's internal records adequately document reasons for appointment terminations. None of the tested appointment terminations was "for cause".

Recommendations: None.

**Standard IV-6. Producer account balances are in accordance with the producer's contract with the insurer.**

No work performed. This Standard is not covered in the scope of examination because the Company's direct bills substantially all personal lines premium. Thus, excessive debit account balances are not a significant issue. If material debit account balances existed, they would be evaluated in the Division's statutory financial examination of the Company.

## 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.

**Standard V-1. Premium notices and billing notices are sent out with an adequate amount of advance notice.**

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's private passenger auto and homeowners policy premiums are direct billed to customers, who can either pay the premium in full at inception and upon renewal, or make installment payments. Payments are accepted by check, credit card, debit card, monthly electronic funds transfer, or payroll deduction.
- For private passenger automobile policies, the maximum number of installments is 12; for homeowners policies, the maximum number of installments is eight. New business requires a 10-20% down payment to ensure adequate equity.
- Private passenger automobile policy installment billing notices are sent to customers approximately 18 days in advance of the due date. After a five-day delinquency, a 20-day notice of statutory cancellation is sent asking the policyholder to make a payment. If no payment is made, the policy is cancelled.
- Homeowners policy installment billing notices for regular installments are sent to customers approximately 23 days in advance of the due date, and for new business and renewal down payment invoices, approximately 35 days in advance of the due date. After a five-day delinquency, a 25-day notice of statutory cancellation is sent asking the policyholder to make a payment. If no payment is made, the policy is cancelled.
- The Company has developed standards for billing and collections, and monitors compliance.
- PRAC private passenger automobile policies and the Bunker Hill Companies homeowners policies may be reinstated with no lapse in coverage within 30 and 10 days, respectively, of the cancellation effective date, with full payment of premium, and with written confirmation of no losses provided. All reinstatement requests must be submitted by the agent.

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: RNA interviewed Company personnel with responsibility for policyholder service and reviewed billing notice dates in conjunction with new and renewal business testing.

Transaction Testing Results:

Findings: None.

Observations: Based upon review, billing notices appeared to be mailed with an adequate amount of advance notice.

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Recommendations: None.

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| <b>Standard V-2. Policy issuance and insured requested cancellations are timely.</b> |
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Objective: This Standard addresses whether the Company has procedures to ensure that policyholder cancellation requests are processed accurately and timely. Policy issuance testing is included in Standard VI-6. See Appendix A for applicable statutes, regulations and bulletins.

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

- Policyholders must cancel coverage through their agencies and agents. Policyholders may cancel private passenger automobile policies after providing a Form 2A, “Notice of Transfer of Coverage”, a returned plate receipt showing proof that the vehicle has been taken out of service, or evidence that the policyholder has moved out of Massachusetts. Any unearned premium is refunded to the policyholder on a pro-rata basis or short rate table basis in accordance with the Company’s filed Rules Manual.
- Requests to cancel homeowners coverage is processed by the agencies with unearned premium refunded by the Company on a pro-rata basis.

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: RNA interviewed Company personnel with responsibility for policyholder service, and tested 13 private passenger automobile and 15 homeowners insured-requested cancellations from the examination period, to ensure that the cancellation requests were processed accurately and timely.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the insured-requested cancellations were processed accurately and timely. Also, premium refunds were returned timely.

Recommendations: None.

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| <b>Standard V-3. All correspondence directed to the regulated entity is answered in a timely and responsive manner by the appropriate department.</b> |
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Objective: This Standard addresses the Company’s procedures for providing timely and responsive information to customers by the appropriate department. 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.

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

- The Company's agencies contractually have the primary relationship with the policyholder, and as such, policyholders must request endorsements and policy changes through the agencies. Policyholders requesting changes through the Company are transferred to the agencies for servicing.
- The Company uses a call management system to track performance such as speed to answer, abandoned calls, and average wait time. Further, the Company has developed key performance metrics and monitors compliance with service time and other key metrics.
- The Company's customer service department has a quality assurance program that includes a randomized review of recorded customer service calls. Twenty such calls per service representative are scored for coaching opportunities four times per year, per representative.

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: RNA discussed procedures with Company personnel and reviewed correspondence in conjunction with underwriting, rating, and policyholder service standards. Additionally, RNA obtained documentation showing customer service correspondence in conjunction with new and renewal business, and claims testing.

Transaction Testing Results:

Findings: None.

Observations: Based upon the review of the above information and review of general correspondence between policyholders and the Company regarding underwriting, rating, and policyholder service matters, it appears that the Company has adequate resources and procedures to handle customer inquiries. Correspondence directed to the Company appears to be answered in a timely and responsive manner.

Recommendations: None.

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| <b>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.</b> |
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No work performed. The Company has not entered into assumption reinsurance agreements.

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

*Objective:* This Standard addresses procedures for the accurate and complete processing of policy transactions. Objectives pertaining to policy issuance, renewals and endorsements are included in Standard VI-6. Billing transactions are reviewed in Standard V-1. Insured-requested cancellations and return of premium are tested in Standard V-2. Company-initiated cancellations and non-renewals are tested in Standard VI-8. See Appendix A for applicable statutes, regulations and bulletins.

**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:

- The Company researches its systems and Registry of Motor Vehicles (“RMV”) records for an updated address when returned mail is received. Agencies are notified of the returned mail, and asked to contact the customer to obtain a better address, and make address changes.
- For any returned mail that includes premium refund or claims checks, the Company voids the check and notifies the underwriting department, claims adjustor, or the agent to research a more current address. When a new address is confirmed, the check is reissued and mailed to the consumer.
- If the check remains outstanding as of June 30 of the third year from the check’s issuance date, a due diligence letter is sent to the payee at the best available address around September 1, notifying him or her that the check is still outstanding, and will be escheated to the Commonwealth by November 1 if they do not respond.
- The Company annually reports escheatable funds to the Massachusetts State Treasurer by November 1st as required by statute.

*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:* RNA discussed with Company personnel the Company’s procedures for locating missing policyholders and claimants, and for escheating funds, and reviewed supporting documentation. RNA compared the Company’s policies and procedures to the Division’s best practices in these areas.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon review, the Company appears to have processes for locating missing policyholders and claimants, and appears to make efforts to locate such individuals. The Company appears to report unclaimed items and escheat them as required by statute.

*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 Standard V-2 for review and testing of the calculation and return of unearned premium. See Appendix A for applicable statutes, regulations and bulletins.

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

*Objective:* This Standard addresses the Company's procedures to provide history and loss information to insureds in a timely manner. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's agencies have access to policyholders' claims history and paid loss information.
- The Company will provide the policyholder with his or her claims history and paid loss information, when 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:* RNA discussed with Company personnel its policies and procedures for responding to policyholder inquiries regarding claims history and paid loss information. Further, RNA reviewed claim documentation for any evidence of the Company being non-responsive to policyholder inquiries on claim history and paid loss information in testing of underwriting and rating, claims, complaints, and policyholder service.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing in underwriting and rating, claims, complaints and policyholder service, RNA noted no evidence of the Company being non-responsive to any policyholder inquiries. Policies and procedures relating to how the Company responds to policyholder inquiries on claims history and paid loss information appear adequate and reasonable.

*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 and in a non-discriminatory manner. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted in review of this Standard and Standards VI-4 and VI-10:

- The Company has written underwriting and rating policies and procedures designed to reasonably assure consistency in classification and rating.
- Company policy prohibits unfair discrimination in the application of premium discounts and surcharges, and in the application of its general rating methodology, in accordance with statutory and regulatory requirements.
- The Company has provided agents with personal lines underwriting requirements for their use.
- To obtain personal lines insurance quotes, agents may use either the Company's agent portal or a third party comparative rating service. Generally, agents electronically submit application information with the signed applications retained in the agents' files. The application forms are approved by the Division.
- Private passenger automobile underwriting is generally automated with most applications accepted, electronically rated, and processed using standard underwriting algorithms.
- The Company's private passenger automobile underwriting system interfaces with the RMV systems to obtain real-time driver history and claim information.
- The Company has many Division-approved affinity groups and related discounts. Individual risks within these groups cannot be cancelled or non-renewed except as permitted by M.G.L. c. 175, § 193R, 211 CMR 97.00, and Division Bulletin 2011-09.
- For its legacy private passenger auto insurance product the Company used the standard Massachusetts merit rating system with the MRB Safe Driver Insurance Plan ("SDIP") applied to its policies. Conversion of all business from the legacy product to the current product was completed by November 30, 2018. For the current product, the Company uses its own proprietary merit rating plan on file with the Division. The SDIP Plan is still used for MAIP business that is rated based on MAIP rates.
- Private passenger automobile rates are based on the Company's own Rules Manual on file with the Division, which represents a modification of the Automobile Insurer's Bureau of Massachusetts ("AIB") Manual. All rates are filed with the Division prior to use. Motorcycle rating for comprehensive and collision coverages is generally based on average retail value, except for MAIP policies receiving the MAIP rate, for which "cost new" is used.
- Private passenger automobile underwriting criteria include license status, driving history, and driver experience, among other factors. The Company does not use credit or insurance scores in private passenger automobile rating.
- The Company adheres to Massachusetts regulatory standards of fault in determining at-fault accidents. The Company ensures that an at-fault driver is provided a "Surcharge Notice" notifying him or her that the at-fault accident will impact the driver's SDIP, and that the driver may appeal

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the at-fault determination to the Board of Appeal. Also, at-fault accident determinations are reported to the CLUE database using a LexisNexis automated process. Further, the Company identifies vacated surcharges from the Board of Appeal and completes processing for those transactions.

- The Company is subject to periodic premium data audits by CAR for compliance with statutes and CAR Rules of Operation.
- Time and service standards for issuance of private passenger automobile policies have been established. The Company's underwriting staff review private passenger automobile applications as needed, and answer questions from agents. Authority limits are assigned to each underwriter. Underwriting managers perform supervisory reviews of the staff underwriters' work.
- For homeowners applications, the agents review loss history, evaluate underwriting company placement, obtain a replacement cost analysis and a distance-to-coast report as needed, to provide a quote and a binding offer to the applicant. Applications are signed by the applicant, with the original signed application retained by the agent for five years.
- Homeowners underwriting and rating criteria include territory, coverage amount and type, property age, protection class, structure type as well as discounts for security and safety features, electronic processing, loss-free policies, and higher deductibles.
- The Bunker Hill Companies use minimum insurance scores, which is based on credit, for placement in one of the Bunker Hill Companies for homeowners coverage. If the applicant does not meet the minimum insurance score, management provides the agent with a Fair Credit Reporting Act ("FCRA") adverse action notice, which is delivered by the agent to the applicant.
- Homeowners rates are based on Massachusetts loss data, and the Company's competitive analysis of market rates. The Company's homeowners rates and policy forms are filed with the Division for review and prior approval. Rates are developed by peril using actuarial guidelines and principles, and are tested by manually rating policies prior to use.
- New property risks are inspected in accordance with standard criteria within the first 60 days of coverage.
- The Company's underwriting staff is ultimately responsible for approval of Massachusetts homeowners applications. Appropriate authority limits are assigned to each underwriter. Time and service standards for all key processing activity have been established. Underwriting managers also perform supervisory reviews of the staff underwriters' work, and review any risks in accordance with assigned authority limits.
- Homeowners underwriting supervisors complete monthly quality assurance audits for all underwriting staff, with the audits used for training and performance reviews.
- The Company conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance matters. PRAC annually reviews a sample of 20-40 policies at 10-30 agencies per year, and the Bunker Hill Companies audit five to 10 agencies per year.

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: RNA interviewed Company personnel with responsibility for the underwriting and rating processes. RNA selected 25 private passenger automobile policies and 25 homeowners policies issued or renewed during the examination period, to test rate classifications and underlying policy information. For 18 private passenger automobile and 20 homeowners test selections, RNA verified that each policy's premium and discounts complied with statutory and regulatory requirements, and that premium charges were accurate. RNA also tested 40 vacated at-fault accident determinations by the Board of Appeal for accurate and timely reversal of premium surcharges, and for timely reporting to CLUE. Additionally, during private passenger automobile claims testing, RNA assessed



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whether at-fault accident determinations were properly reported to the MRB with Surcharge Notices timely provided to operators in accordance with statutory and regulatory requirements.

Transaction Testing Results:

Findings: For each of the 10 PIC vacated surcharges tested, the number of days to report the vacated at-fault determination to CLUE ranged from 82-489 days in violation of Division Bulletin 2010-11, which requires that the Company must report the reversal of the at-fault indicator to CLUE within 15 days of the notice received of the Board of Appeal's decision to vacate the at-fault determination.

Observations: Based upon testing, the Company appears to calculate policy premiums and discounts in compliance with its policies, procedures, and statutory requirements, and in compliance with rates filed with the Division. Also, through claims testing, at-fault accident determinations and comprehensive claims were timely reported to the MRB, and Surcharge Notices were properly provided to at-fault operators. Except as noted above, CLUE reporting of vacated at-fault accident determinations was timely, and at-fault determinations reversed by the Board of Appeal were properly and timely processed.

Required Actions: The Company shall review its controls and procedures and make any necessary changes to ensure that at-fault accident determinations are reported within 15 days to CLUE in accordance with Bulletin 2010-11. Also, the Company shall provide training and guidance to staff about timely CLUE reporting. Finally, the Company shall conduct a detailed internal audit by December 31, 2021, or another date acceptable to the Division, to ensure that these required actions have been properly implemented. The Company shall provide the internal audit report to the Division.

Subsequent Company Actions: In July 2019 the Company implemented process improvements to ensure timely reporting to CLUE of vacated at-fault accident determinations. The Company will conduct an audit to ensure that the procedures are operating as designed, and will provide the audit to the Division.

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| <b><u>Standard VI-2.</u> All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations.</b> |
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Objective: This Standard addresses whether all mandated disclosures for rates and coverages are timely provided to insureds in accordance with statutes and regulations. 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 new and renewal business.
- The Company's supervisory procedures and system controls are designed to ensure that new business submissions are accurate and complete, including the use of all required forms.
- The Company provides private passenger automobile information guides and other sales disclosures to consumers electronically or by mail.
- The Company's insurance policies and attachments provide disclosures as required by statutory and regulatory guidelines.

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.

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Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 25 private passenger automobile policies and 25 homeowners policies issued or renewed during the examination period, to test for timely disclosure of rates and coverages.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company provides required rate and coverage disclosures to applicants upon initial application and renewal, in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

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| <b>Standard VI-3. The regulated entity does not permit illegal rebating, commission cutting or inducements.</b> |
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Objective: This Standard addresses illegal rebating, commission cutting or inducements, and requires that broker commissions adhere to the commission schedule. 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 paying agent commissions in accordance with written contracts.
- The Company's agents contracts, policies, and procedures are designed to comply with statutory underwriting and rating requirements, which prohibit special inducements and rebates.

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: RNA interviewed individuals with responsibility for commission processing and producer contracting. In conjunction with new and renewal business testing, RNA selected 25 private passenger automobile policies and 25 homeowners policies issued or renewed during the examination period, to review commissions paid to agencies, and for indications of rebating, commission cutting or inducements.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company's processes for prohibiting illegal acts, including special inducements and rebates, are functioning in accordance with its policies, procedures, and statutory requirements.

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, primarily related to rating. See Standard VI-1 for testing of premium rating, Standard VI-7 for testing of declinations, and Standard VI-8 for testing of company-initiated cancellations and non-renewals. See Appendix A for applicable statutes, regulations and bulletins.

**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 and Standard VI-19:

- Company policy requires the use of the standard Massachusetts automobile policy forms and endorsements in addition to the Company's own endorsement forms on file with the Division. The Company uses the AIB Massachusetts private passenger automobile form, which has been approved by the Division.
- Company policy requires that all private passenger automobile and homeowners policy forms and endorsements be filed and approved by the Division prior to use.
- Approved private passenger automobile and homeowners forms and endorsements are required to be used when providing quotes to customers.

*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:* RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 25 private passenger automobile policies and 25 homeowners policies issued or renewed during the examination period, to test for the use of approved policy forms and endorsements in compliance with statutory requirements.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, the Company is using approved policy forms and endorsements in compliance with its policies, procedures, and statutory requirements.

*Recommendations:* None.

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| <b>Standard VI-6. Policies, riders and endorsements are issued or renewed accurately, timely and completely.</b> |
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*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 written underwriting and rating policies and procedures designed to reasonably assure consistency in classification and rating. Underwriting and policy administration systems are used for quoting, rating and underwriting policy applications.
- Any changes in policy coverage must be requested through the agencies.
- The Company waives pre-damage inspections for nearly all private passenger automobile applications in accordance with the Company's Division approved underwriting and rating plan.
- Time and service standards for issuance of policies have been established.
- The Company's underwriting staff is ultimately responsible for approval of Massachusetts homeowners applications. Appropriate authority limits are assigned to each underwriter. Time and service standards for all key processing activity have been established. Underwriting managers also perform supervisory reviews of the staff underwriters' work, and review any risks in accordance with assigned authority limits.
- Homeowners underwriting supervisors complete monthly quality assurance audits for all underwriting staff, with the audits used for training and performance 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:* RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 25 private passenger automobile policies and 25 homeowners policies issued or renewed during the examination period, to test whether new and renewal policies and endorsements were issued timely, accurately and completely.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, the Company issues new and renewal policies and endorsements timely, accurately and completely.

*Recommendations:* None.

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| <b>Standard VI-7. Rejections and declinations are not unfairly discriminatory.</b> |
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*Objective:* This Standard addresses the fairness of application rejections and declinations including issuance of proper declination notices. See Appendix A for applicable statutes, regulations and bulletins.

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

- Company policy prohibits unfair discrimination in underwriting in accordance with statutory requirements. Written Company underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks on a consistent and fair basis.
- Applications for private passenger and homeowners coverage may be declined by the agent on the Company's behalf, or by the underwriting department, if the risks do not meet the Company's underwriting guidelines.
- Agents provide a written or oral declination notice to the private passenger automobile applicant noting the reason that the application is rejected.
- The Bunker Hill Companies use minimum insurance scores, which are based on credit, for placement in one of the Bunker Hill Companies for homeowners coverage. If the applicant does not meet the minimum insurance score, management provides the agent with a FCRA adverse action notice, which is delivered by the agent to the applicant.
- The Company conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance matters, such as retaining FCRA notices for declined homeowners applicants. PRAC annually reviews a sample of 20-40 policies at 10-30 agencies per year, and the Bunker Hill Companies audit five to 10 agencies per year.

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: RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected seven private passenger automobile declinations processed during the examination period, to ensure that declinations were not unfairly discriminatory. RNA selected 30 homeowners declinations processed during the examination period, most of which were declined for unacceptable insurance score, to ensure that declinations were not unfairly discriminatory, and to ensure that a written FCRA adverse action notice was timely provided, as appropriate.

Transaction Testing Results:

Findings: None.

Observations: Testing of private passenger automobile declinations indicated that the declinations met the Company's underwriting guidelines, and written or oral notices were provided to the applicants. Testing of homeowners declinations, most of which were for unacceptable insurance score, indicated that the declinations met the Company's underwriting guidelines, and written FCRA adverse action notices were timely provided, as appropriate.

Recommendations: None.

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| <b>Standard VI-8. Cancellation/non-renewal, discontinuance and declination notices comply with policy provisions, state laws and regulated entity guidelines.</b> |
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Objective: This Standard addresses notices to policyholders for company-initiated cancellations and non-renewals, including advance notice before expiration for cancellations and non-renewals. Declination

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procedures are reviewed in Standard VI-7. See Appendix A for applicable statutes, regulations and bulletins.

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

- Private passenger automobile cancellations for underwriting are usually for driver license suspension, material misrepresentation, or auto registration suspension or revocation. In these instances, a notice of cancellation, including the specific reason, is sent to the policyholder and the agent at least 23 days prior to cancellation.
- Homeowners cancellations for underwriting after policy inception are generally issued within the first 60 days of coverage, for inspection violations or information not known or disclosed at binding. After 60 days, cancellations are generally made for material misrepresentation in the application of insurance, usually noted after the filing of a claim. In these instances, notices of cancellation, including the specific reason, are sent to policyholders at least five days prior to cancellation, with a copy of the notices sent to the agents. Mortgagees are also notified of the cancellations by the Company at least 20 days prior to the cancellations.
- For PRAC private passenger automobile risks not meeting underwriting requirements at renewal, the non-renewal notice, including the specific reason, is provided to the agency at least 45 days prior to renewal, with the agency having 15 days to give notice of non-renewal to the policyholder, or to replace coverage.
- For PIC private passenger automobile risks, and homeowners risks not meeting underwriting requirements at renewal, the non-renewal notice, including the specific reason, is provided to the policyholder at least 45 days prior to renewal, with notice also provided to the agent.
- The Company conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance matters, such as retaining FCRA notices for declined homeowners applicants. PRAC annually reviews a sample of 20-40 policies at 10-30 agencies per year, and the Bunker Hill Companies audit five to 10 agencies per year.

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: RNA interviewed Company personnel with responsibility for the underwriting process. For testing, RNA selected eight private passenger automobile cancellations, 22 homeowners company-initiated cancellations, 19 private passenger automobile non-renewals, and 22 homeowners non-renewals. All transactions were evaluated for compliance with statutory requirements.

Transaction Testing Results:

Findings: None.

Observations: For the company-initiated cancellations and non-renewals tested, the Company provided timely and adequate notice to the agencies or policyholders, with the specific reasons for the cancellations or non-renewals properly disclosed. The specific reasons were reasonable 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:

- Company policy requires compliance with underwriting guidelines in accordance with statutory requirements. Written underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks.
- The Company states that although rare, rescissions, are usually related to claims filed where material misrepresentations were made by the insureds. All rescissions are approved by the legal department.

*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:* RNA interviewed Company personnel with responsibility for the underwriting process, and discussed procedures for rescissions.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon review, policies and procedures for rescissions appear reasonable.

*Recommendations:* None.

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

*Objective:* This Standard addresses whether unfair discrimination is occurring in the application of premium discounts and surcharges. See Standard VI-1 for testing of premium rating and unfair discrimination. See Appendix A for applicable statutes, regulations and bulletins.

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

No work performed. This Standard is not covered in the scope of examination as the examination was focused on personal lines business.

**Standard VI-12. Verification of use of the filed expense multipliers; the regulated entity should be using a combination of loss costs and expense multipliers filed with the insurance department.**

No work performed. This Standard is not covered in the scope of examination as the examination was focused on personal lines business.

**Standard VI-13. Verification of premium audit accuracy and the proper application of rating factors.**

No work performed. This Standard is not covered in the scope of examination as the examination was focused on personal lines business.

**Standard VI-14. Verification of experience modification factors.**

No work performed. This Standard is not covered in the scope of examination as the examination was focused on personal lines business.

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

No work performed. This Standard is not covered in the scope of examination as the examination was focused on personal lines business.

**Standard VI-16. Verification of regulated entity data provided in response to the NCCI call on deductibles.**

No work performed. This Standard is not covered in the scope of examination as the examination was focused on personal lines business.

**Standard VI-17. 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 underwriting, rating and classification decisions are based on adequate information developed at, or near, inception of the coverage, rather than near expiration or following a claim. See Appendix A for applicable statutes, regulations and bulletins.

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

- Company policy and practice prohibits unfair discrimination in underwriting in accordance with statutory requirements.
- Written policies and procedures are designed to reasonably assure consistency in the application of underwriting guidelines, rating classifications, premium discounts and surcharges determined at,



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or near, the inception of coverage. Written underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks on a proper, consistent and fair basis.

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: RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 25 private passenger automobile policies and 25 homeowners policies issued or renewed during the examination period to test whether underwriting, rating and classification are based on adequate information developed at, or near, inception of coverage. RNA also sought evidence of complaints to ensure that underwriting is completed at or near inception of the coverage.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company is using underwriting, rating and classification guidelines based on adequate information developed at, or near, inception of coverage.

Recommendation: None.

**Standard VI-18. Audits, when required, are conducted accurately and timely.**

Objective: This Standard addresses whether audits are conducted accurately and timely. See Standard I-1 for external audits, internal audits and quality assurance audits within the Company's operational areas. See Appendix A for applicable statutes, regulations and bulletins.

**Standard VI-19. All forms and endorsements, forming a part of the contract are listed on the declaration page and should be filed with the insurance department (if applicable).**

Objective: This Standard addresses whether policy forms and endorsements are filed with the Division for approval. See Standard VI-5 for testing. See Appendix A for applicable statutes, regulations and bulletins.

**Standard VI-20. The regulated entity verifies that the VIN number submitted with the application is valid and that the correct symbol is utilized.**

Objective: This Standard addresses whether the Company verifies that the VIN and vehicle symbol submitted with the application is valid and accurate. 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 underwriting and rating policies and procedures, which are designed to reasonably assure consistency in classification and rating.
- The agencies obtain the VIN and vehicle symbol when the application is completed.

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- The Company's underwriting system compares the VIN and vehicle symbol to its industry database to ensure that both are accurate.

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: RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 25 private passenger automobile policies issued during the examination period, to determine whether the Company verifies the VIN and vehicle symbol at policy issuance.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company verifies VIN and vehicle symbol at policy issuance in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

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| <b><u>Standard VI-21.</u> The regulated entity does not engage in collusive or anti-competitive underwriting practices.</b> |
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Objective: This Standard addresses whether the Company has engaged in any collusive or anti-competitive underwriting practices. See Appendix A for applicable statutes, regulations and bulletins.

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

- Company policy requires that the underwriting department apply consistent underwriting practices, and that no underwriter or producer shall engage in collusive or anti-competitive practices.
- Company policy and practice prohibits unfair discrimination in underwriting in accordance with statutory requirements. Written underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks on a proper, consistent and fair basis.

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: RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 25 private passenger automobile policies and 25 homeowners policies issued or renewed during the examination period, to determine whether any underwriting practices appeared collusive or anti-competitive.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's underwriting policies and practices do not

appear to be collusive or anti-competitive.

Recommendations: None.

**Standard VI-22. The regulated entity underwriting practices are not unfairly discriminatory. The regulated entity adheres to applicable statutes, rules and regulations in application of mass marketing plans.**

Objective: This Standard addresses whether unfair discrimination is occurring in insurance underwriting for mass marketing plans offered individuals as members of employer or other groups. 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 has written underwriting and rating policies and procedures designed to reasonably assure consistency in classification and rating for mass marketing plans offered to individuals who are members of employer or other groups.
- The Company's mass marketing plans are filed with the Division for approval.
- The Company uses affinity discounts to market its policies to individuals who are members of employer or other groups.
- Company policy prohibits unfair discrimination in the application of premium discounts and surcharges, and in the application of its general rating methodology, in accordance with statutory and regulatory requirements for mass marketing plans.

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: RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 25 private passenger automobile policies and 25 homeowners policies issued or renewed during the examination period, to ensure that underwriting practices for plans offered to individuals who are members of employer or other groups were not unfairly discriminatory. RNA reviewed affinity discounts granted to such individuals as part of new and renewal business, to ensure that the discounts agreed to those approved by the Division. During this testing, RNA sought evidence of any unfair discrimination in underwriting these policies and examined evidence of the Division's approval of the affinity premium discounts.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, RNA noted no evidence that the Company's underwriting practices for mass marketing plans offered to individuals, who are members of employer or other groups are unfairly discriminatory. All affinity premium discounts were applied properly and approved by the Division.

Recommendations: None.

**Standard VI-23. All group personal lines property and casualty policies and programs meet minimum requirements.**

No work performed. This Standard is not covered in the scope of examination because the Company does not offer group products.

**Standard VI-24. Cancellation/non-renewal notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other parties to the contract.**

*Objective:* This Standard addresses notices to policyholders for company-initiated cancellations and non-renewals, including advance notice before policy expiration. See Standard VI-8 for testing of this Standard. See Appendix A for applicable statutes, regulations and bulletins.

**Standard VI-25. All policies are correctly coded.**

*Objective:* This Standard addresses the accuracy of statistical coding. 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 underwriting policies and procedures, which are designed to reasonably assure consistency in classification and rating.
- The Company has processes to reconcile statistical and financial data, to correct data coding errors, and to make subsequent reporting changes, as needed.
- The Company's policy is to report complete and accurate premium data timely in the required formats to rating bureaus such as the AIB, CAR, and ISO.
- The Company is subject to periodic audits by CAR for compliance with statutes and CAR Rules, including statistical coding requirements related to premiums.

*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:* RNA interviewed Company personnel with responsibility for the underwriting process and the statistical reporting process. RNA selected 25 private passenger automobile policies and 25 homeowners policies issued or renewed during the examination period, to test data coding for selected policy determinants.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, premium data determinants appear to be properly coded.

*Recommendations:* None.

**Standard VI-26. Application or enrollment forms are properly, accurately and fully completed, including any required signatures, and file documentation supports underwriting decisions made.**

*Objective:* This Standard addresses whether policy file documentation adequately supports decisions made in underwriting and rating. See Appendix A for applicable statutes, regulations and bulletins.

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

- Company policy requires that the underwriting files support underwriting and rating decisions.
- Underwriting systems controls are designed to ensure electronic applications are complete.
- Certain risks are referred to the underwriting department to determine whether they should be accepted or rejected.
- Agencies retain signed applications in their files. The Company conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance matters. PRAC annually reviews a sample of 20-40 policies at 10-30 agencies per year, and The Bunker Hill Companies audit five to ten agencies per year.

*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:* RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected five private passenger automobile and four homeowners applications and requested the signed applications from the agents.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, application information was properly submitted, and policy files adequately supported the Company's decisions.

*Recommendations:* None.

## 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.

**Standard VII-1. The initial contact by the regulated entity with the claimant is within the required time frame.**

*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 Standard VII-1 VII-13:

- The Company's personal lines claim handling process is organized by legal entity. PRAC, PIC, and the Bunker Hill Companies have approximately 245, 34, and 14 full-time employees, respectively. The Company also uses licensed contract adjusters and appraisers to supplement its staff as needed. Claims processing is organized in functional units with a supervisory structure that includes vice-presidents, directors, supervisors, claims representatives, and field appraisers.
- PRAC's functional units include automobile physical damage/property damage, bodily injury, personal insurance protection ("PIP"), subrogation, appraisers, total loss, SIU, analytics, technology support, and teams dedicated to working with high loss agencies. PIC's functional units include physical damage/property damage, bodily injury, PIP, subrogation, and SIU.
- The Bunker Hill Companies' claims representatives are located in the home office and handle homeowners casualty claims, property claims, and subrogation cases. Eight homeowners property claim representatives work remotely from their homes. The PIC SIU team assists as necessary.
- The Company's first notice of loss call center is located in Horsham, PA. All claims are processed and documented using electronic work flow and document management systems. Individual claim settlement authority limits are assigned commensurate with claims representatives' experience.
- When claims are reported, claimants are either transferred to appropriate claim representatives for direct handling, or an assigned claim representative, who must contact the claimant within one day. Claims are automatically assigned by the system and, if there is a bodily injury feature, a bodily injury adjuster is also assigned. Key information such as the policyholder's name, policy number, accident/loss date, and facts of the claim, are entered in the system, and a claim number is created.
- For physical damage claims under \$1,500, the claimant may upload photos of the damage, and a licensed appraiser can usually complete an appraisal remotely. For other physical damage claims, a licensed appraiser inspects the vehicle in person before completing the appraisal.
- The Company has established an approved automobile repair shop program pursuant to 211 CMR 123.00. The list of all licensed repair shops and those part of the direct payment plan are provided to the claimant. Re-inspections are performed on 25% of such claims less than \$4,000, and 75% of claims greater than \$4,000, with results reported to CAR quarterly.
- PRAC total loss value claims are handled by a total loss specialist within two adjuster teams, while PIC's total loss claims are not separately assigned. The total loss value is determined, in part, using values supplied by a vendor, Mitchell. The Company also uses National Automobile Dealers Association ("NADA") values to derive a composite NADA value. Typically, the total loss value is determined by an average of the Mitchell and NADA values.
- The Company follows standard industry and CAR claim handling guidelines in its claim investigations including Massachusetts standards of fault. Information from police reports, witness statements, photographic evidence, and consumer reporting agencies are used to evaluate the claim.

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- At-fault automobile accident determinations are reported to CLUE using Lexis/Nexis. The claims function is also responsible for providing notices to policyholders of their at-fault accident surcharges and their right to appeal at-fault accident determinations. The claims department also receives notice of vacated surcharges from the Board of Appeals, and is responsible for notifying the underwriting department, so that premium adjustments can be made as appropriate.
- The Company does not use purchased claim evaluation software in assessing damages on bodily injury claims. A bodily injury evaluation documents the claim details and develops a tentative settlement and reserving range. Claims are generally reserved near the high end of the range, and initial reserves are generally automated until more specific claim information is available.
- The Company uses an affiliated company, Pilgrim Risk Management, LLC, for medical bill reviews of PIP claims. Additionally, the Company reports all closed automobile bodily injury claims to AIB Detail Claims Database as required in Massachusetts. For OFAC compliance, the Company uses Bridger software, which is maintained by a third party vendor, to screen all claim payments daily.
- The Company's claims function includes a SIU in the home office. Claim representatives receive training regarding SIU red flags, and use judgment to make referrals to SIU; however, the claims representative maintains ownership of the claims adjudication. The SIU is responsible for coordinating with the Division's Insurance Fraud Bureau, in cases where fraud may have occurred, to assist with criminal investigation and prosecution. All auto theft claims are reported to the NICB.
- Reservation of rights and excess loss letters are issued when potential coverage issues arise. The representatives are trained to complete Department of Revenue checks according to statutory requirements, and to document the search results in the claim system notepad. Underwriting risk referrals are made to the underwriting department when necessary.
- Generally, no liability release is required from insureds, unless the claim involves other parties who were underinsured or not insured. Third party property damage claimants are generally not required to sign a liability release unless there is a settlement dispute or general damages awarded. Releases are routinely required from third party bodily injury claimants.
- Homeowners property claimants with large losses may be required to sign a Proof of Loss Statement prior to payment.
- The Company's policy is to adhere to CAR claim settlement performance standards. The CAR standards specify time frames for assigning an appraiser, inspecting a vehicle, and payment of a claim. 211 CMR 133.0 requires the use of after-market parts of "like kind and quality" when possible.
- The subrogation unit monitors the status of unpaid subrogation amounts from other carriers.
- For property dwelling claims in excess of \$1,000, the required notice letter is automatically sent to the appropriate municipality, as part of the loss intake process.
- Criteria for supervisor and manager periodic reviews of the claim representatives' work have been established, which require supervisory review of all claims at least every 270 days, with the reviews documented in the claim system. Also, supervisory reviews are required if settlement authority limits are triggered. Also, all private passenger automobile claims denied are reviewed by a supervisor, before a denial is issued. In addition, large loss reports are prepared when initial reserves exceed the noted thresholds, and when subsequent adjustments are made.
- The Company captures claim service and quality metrics, along with various staffing statistics, which are reported periodically to management.
- Management has established a quality assurance program, whereby randomly selected claims are reviewed and evaluated for adherence to policies and procedures using a detailed questionnaire. Auto claim supervisors review monthly a random selection of three open and closed claims per representative. Also, claims department directors review a random sample of the quality assurance files reviewed to evaluate and monitor the process. For homeowners claims, management performs

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structured quality assurance reviews of pending and recently closed property cases, and reviews three claims per adjuster per month.

- The Bunker Hill Companies and PRAC conduct post-claim payment surveys to first party claimants. Any negative comments from respondents are addressed, and the overall survey results are reported monthly.

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: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 32 paid claims, eight denied or closed-without-payment claims, and 10 open claims for testing. RNA verified the date each selected claim was recorded by the Company, and noted whether the initial contact with the claimant was timely acknowledged.

Transaction Testing Results:

Findings: None.

Observations: RNA noted each of the tested claims was recorded according to the Company's policies and procedures, with timely initial contact from the Company. Based upon testing, it appears that the Company's processes for providing timely initial contact with claimants are functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

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| <b><u>Standard VII-2. Timely investigations are conducted.</u></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: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 32 paid claims, eight denied or closed-

without-payment claims, and 10 open claims for testing. RNA tested each selected claim noting whether the investigations were conducted in a timely manner and whether the investigations were complete.

Transaction Testing Results:



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Findings: None.

Observations: Based upon testing, claims were investigated timely according to the Company's policies and statutory requirements.

Recommendations: None.

**Standard VII-3. Claims are resolved in a timely manner.**

Objective: The Standard addresses the timeliness of the Company's claim settlements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 32 paid claims, eight denied or closed-without-payment claims, and 10 open claims for testing. RNA tested each selected claim noting whether the claims were resolved in a timely manner.

Transaction Testing Results:

Findings: None.

Observations: RNA noted each of the tested claims was resolved in a timely manner in accordance with Company's policies and statutory requirements related to timely handling. Based upon testing, it appears that the Company's processes for timely handling claims are generally 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 general claim correspondence. See Standard VII-6 for testing of statutorily-required claim correspondence. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling

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processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 32 paid claims, eight denied or closed-without-payment claims, and 10 open claims for testing. RNA tested each selected claim noting whether the Company timely responded to general claim correspondence.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that for each of the tested claims, the Company timely responded to general claim correspondence. Based upon testing, it appears that the Company's processes for providing timely responses to general claims correspondence are functioning in accordance with its policies, procedures and statutory requirements.

Recommendations: None.

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| <b><u>Standard VII-5. Claim files are adequately documented.</u></b> |
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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: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 32 paid claims, eight denied or closed-without-payment claims, and 10 open claims for testing. RNA reviewed the file for each selected claim, and noted whether its documentation was adequate.

Transaction Testing Results:

Findings: None.

Observations: RNA noted each of the tested claims was adequately documented according to the Company's policies and procedures. It appears that the Company's processes for documenting claim files are generally 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 meets specific Massachusetts regulatory requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 32 paid claims, eight denied or closed-without-payment claims, and 10 open claims for testing. RNA reviewed the file for each selected claim, and noted whether the claim was properly handled in accordance with policy provisions and statutory requirements.

Transaction Testing Results:

Findings: RNA testing noted that one homeowners property claim file had no evidence that a notice letter was provided to the municipal authority in violation of M.G.L. c. 139, § 3B.

Observations: Based upon testing and except as noted above, it appears that the Company handles claims in accordance with policy provisions and statutory requirements.

Required Actions: The Company shall provide training and guidance to staff about providing proper and timely municipal letters.

Subsequent Company Actions: The Company is providing this training and guidance to claims staff.

**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: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 32 paid claims, eight denied or closed-without-payment claims, and 10 open claims for testing. RNA reviewed the file for each selected claim, and verified that required claim forms were appropriately used.

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Transaction Testing Results:

Findings: None.

Observations: RNA noted each of the tested claims appropriately used the required claim forms in accordance with the Company's policies and regulatory requirements.

Recommendations: None.

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| <b>Standard VII-8. Claim files are reserved in accordance with the regulated entity's established procedures.</b> |
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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: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 32 paid claims, eight denied or closed-without-payment claims, and 10 open claims for testing. RNA reviewed the file for each selected claim, and noted whether claim reserves were evaluated, established and adjusted in a reasonably timely manner. The Division's financial examiners and actuaries test reserving in conjunction with the financial examination of the Company.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that reserves for each of the tested claims were evaluated, established and adjusted according to the Company's policies and procedures. Based upon testing, it appears that the Company's processes for evaluating, establishing and adjusting reserves are functioning in accordance with its policies and procedures.

Recommendations: None.

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| <b>Standard VII-9. Denied and closed-without-payment claims are handled in accordance with policy provisions and state law.</b> |
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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: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected nine denied or closed-without-payment private passenger automobile claims, and eight denied or closed-without-payment homeowners claims for testing. RNA evaluated whether the Company handled these claims timely and properly before closing or denying them.

Transaction Testing Results:

Findings: None.

Observations: RNA noted each of the tested claims was handled according to the Company's policies and procedures. Based upon testing, it appears that the Company's claim handling and denial practices are appropriate and are functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

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| <b>Standard VII-10. Cancelled benefit checks and drafts reflect appropriate claim handling practices.</b> |
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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: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA reviewed procedures regarding the use of claim payment checks for the claimant to attest to full claim settlement by endorsing the claim check.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that the Company does not use claim payment checks for the claimant to attest to full claim settlement by endorsing the claim check. Full claim settlement attestation is required for certain liability claims through a written settlement agreement. Based upon review, it appears that the Company's processes for issuing claim payment checks are appropriate and functioning in accordance with its policies and procedures.

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:* Refer to Standard VII-1.

*Controls Reliance:* Refer to Standard VII-1.

*Transaction Testing Procedure:* RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 32 paid claims, eight denied or closed-without-payment claims, and 10 open claims for testing. RNA reviewed the file for each selected claim, and noted whether claim practices appeared to compel claimants to institute litigation to recover amounts due under the policies by offering substantially less than would be due under the policies, and whether the Company attempted to settle claims for less than reasonable amounts due under the policies.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon review of procedures and testing, the Company did not appear to compel claimants to institute litigation to recover amounts due under the policies by offering substantially less than would be due under the policies, and the Company did not attempt to settle claims for less than reasonable amounts due under the policies.

*Recommendations:* None.

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

*Objective:* The Standard addresses the Company's use of reservation of rights letters, and its procedures for notifying an insured when it is apparent that the amount of loss will exceed policy limits. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* Refer to Standard VII-1.

*Controls Reliance:* Refer to Standard VII-1.

*Transaction Testing Procedure:* RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 32 paid claims, eight denied or closed-without-payment claims, and 10 open claims for testing. RNA reviewed the file for each selected claim,

and noted whether reservation of rights or excess of loss letters were warranted and issued as appropriate.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, RNA noted two homeowners claims where reservation of rights letters were used. The use of the letters appeared appropriate. No use of excess of loss letters was noted. RNA noted no instances where reservation of rights or excess of loss letters should have been used, but were not. Based upon review and testing, it appears that the Company's processes for utilizing excess of loss and reservation of rights letters are functioning in accordance with its policies and procedures.

Recommendations: None.

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| <b>Standard VII-13. Deductible reimbursement to insureds upon subrogation recovery is made in a timely and accurate manner.</b> |
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Objective: The Standard addresses whether the Company accurately and timely issues deductible reimbursements upon subrogation recovery. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected homeowners claims including 32 paid claims, eight denied or closed-without-payment claims, and 10 open claims for testing. RNA reviewed each selected claim file, and noted whether deductible reimbursement to insureds upon subrogation recoveries were reasonably timely and accurate.

Transaction Testing Results:

Findings: None.

Observations: RNA noted none of the four homeowners claims where there was a potential for subrogation resulted in reimbursement of the insured's deductible due to subrogation. We noted that for two homeowners claims, subrogation efforts were insufficient, and thus the Company is reopening the claims to complete thorough subrogation investigations in accordance with its policies and procedures.

Required Actions: After thorough subrogation investigations are completed, if the Company determines that subrogation is warranted, the Company shall make efforts to collect the related recoveries. Also, for one of the claims that incurred a deductible, if the subrogation recovery is made, the insured's deductible shall be returned. Finally, the Company shall provide training and guidance to staff about conducting thorough and timely subrogation procedures when warranted.

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*Subsequent Company Actions:* The Company has conducted subrogation investigations on the two claims and determined that subrogation was not an option. For one claim, which involved burst pipes in a condominium, the condominium documents contained a waiver of subrogation among all unit owners and the condominium association. For the other claim, which involved a theft, law enforcement closed its investigation without having identified the thief. Also, the Company is providing training and guidance to staff about conducting thorough and timely subrogation procedures.

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| <b>Standard VII-14. Loss statistical coding is complete and accurate.</b> |
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*Objective:* The Standard addresses the Company's complete and accurate reporting of loss statistical data to appropriate rating bureaus. See Appendix A for applicable statutes, regulations and bulletins.

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

- Company policy is to report complete and accurate loss data timely to appropriate rating bureaus.
- The Company reports private passenger automobile loss data to CAR in a format required by CAR. The Company is subject to periodic loss data audits by CAR for compliance with statutes and CAR Rules of Operation.
- The Company also reports loss data to the AIB, which is a rating bureau that represents the Massachusetts automobile insurance industry.
- Daily claim statistical data is accumulated through the claim system, and summary data is provided monthly by the Company to CAR. Any claim statistical errors exceeding standard CAR tolerance levels must be corrected.
- The Company uses ISO as its statistical reporting agent for homeowners claims, and that data is submitted to ISO quarterly in the required format.
- The Company has processes to reconcile statistical and financial data, to correct data coding errors, and to make subsequent reporting changes, as needed.

*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:* RNA interviewed Company personnel to understand its loss statistical reporting processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, nine denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 32 paid claims, eight denied or closed-without-payment claims, and 10 open claims for testing. RNA reviewed each selected claim file and noted whether selected loss data was accurate and complete.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* RNA noted that selected loss data appears to be accurate and complete for tested claims. Based upon testing, the Company appears to have processes for timely and accurately reporting of loss statistical data to rating bureaus in accordance with its policies and statutory requirements.

*Recommendations:* None.



REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
PLYMOUTH ROCK GROUP

**SUMMARY**

Based upon the procedures performed in this examination, RNA has reviewed and tested Company Operations/Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims as set forth in the *2018 NAIC Market Regulation Handbooks*, the examination standards of the Division, and the Commonwealth of Massachusetts' insurance laws, regulations and bulletins. RNA has provided recommendations and required actions to address standards in Complaint Handling, Marketing and Sales, Producer Licensing, Underwriting and Rating, and in Claims.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
PLYMOUTH ROCK GROUP

**ACKNOWLEDGEMENT**

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

The undersigned's participation in this comprehensive market conduct 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), communication and status reporting throughout the examination, administration and preparation of the examination report.

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



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Mark G. Noller, CIE  
Principal, Rudmose & Noller Advisors, LLC