



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
Bunker Hill Insurance Company

Boston, Massachusetts

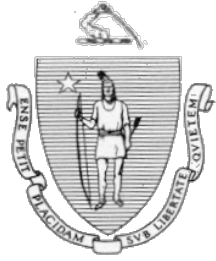
For the Period January 1, 2012 through December 31, 2012

NAIC COMPANY CODE: 14737, 21750, 10394

EMPLOYER ID NUMBER: 04-2800590, 04-3002627, 04-329991

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

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JOSEPH G. MURPHY
COMMISSIONER OF INSURANCE

February 13, 2014

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

Dear Commissioner Murphy:

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

PLYMOUTH ROCK ASSURANCE CORPORATION
PILGRIM INSURANCE COMPANY
BUNKER HILL INSURANCE COMPANY

at their home offices located at:

695 Atlantic Avenue
Boston, Massachusetts 02111

The following report thereon is respectfully submitted.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF
PLYMOUTH ROCK ASSURANCE CORPORATION
PILGRIM INSURANCE COMPANY
BUNKER HILL INSURANCE COMPANY

SCOPE OF EXAMINATION

The Massachusetts Division of Insurance (the “Division”) conducted a comprehensive market conduct examination (“examination”) of Plymouth Rock Assurance Corporation (“PRAC”), Pilgrim Insurance Company (“PIC”), and Bunker Hill Insurance Company (“BHIC”), (collectively, the “Company”) for the period January 1, 2012 to December 31, 2012. The examination was called pursuant to authority in Massachusetts General Laws Chapter (“M.G.L. c.”) 175, § 4. PRAC, PIC and BHIC are separately managed, and management of each insurer is responsible for developing and implementing policies and procedures at each of the insurers.

The examination also evaluated the Company’s compliance with requirements from previous Regulatory Settlement Agreements between the Company and the Division. The examination was conducted under the direction, management and control of the market conduct examination staff of the Division. Representatives from the firm of Rudmose & Noller Advisors, LLC (“RNA”) were engaged to complete the examination.

EXAMINATION APPROACH

A tailored examination approach was developed using the guidance and standards of the *2012 NAIC Market Regulation Handbook*, (“the Handbook”) the examination standards of the Division, the Commonwealth of Massachusetts’ insurance laws, regulations and bulletins, and selected Federal laws and regulations. All procedures were performed under the supervision of the market conduct examination staff of the Division, including procedures more efficiently addressed in the domiciliary regulator’s financial examination of the Company. For those objectives, RNA and the market conduct examination staff relied on procedures performed by the domiciliary regulator’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.

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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. The body of the report also discusses the Company's compliance with requirements from previous Regulatory Settlement Agreements between the Company and the Division. 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.

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

SECTION I-COMPANY OPERATIONS/MANAGEMENT

STANDARD I-18

Findings: None.

Observations: Based upon RNA's review of the Company's underwriting and claims processing and the 2012 homeowners underwriting and claims data, no unusual results and concerns were noted, and the statutorily-required data reported to the Division appears to be reasonably complete and accurate. RNA's review of the Company's 2012 Market Conduct Annual Statement ("MCAS") Massachusetts data indicated no unusual underwriting or claims data, although the number of private passenger automobile and homeowner company-initiated cancellations were overstated due to improperly classified transactions that should have been reported as insured-requested cancellations. The insured-requested cancellations were improperly classified due to agent input errors.

Recommendations: The Company should adopt new transaction coding policies and procedures to ensure that insured-requested cancellations are properly coded by agents. Also, the Company should conduct staff and agent training regarding these new procedures to ensure that all transactions are properly coded for management and regulatory reporting. Further, the Company should adopt new procedures for the independent review of MCAS filings prior to filing with the NAIC, to ensure that the data is accurate, complete and properly reconciled to underlying data contained in the Company's policy administration, underwriting and claims systems. Finally, the Company should conduct independent monitoring by internal audit, compliance or quality assurance testing staff to ensure that the new procedures have been properly implemented, with the audit report provided to the Division by September 30, 2014, or another agreed upon date.

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Subsequent Company Actions: The Company is adopting new procedures as noted in the recommendations and has re-filed its 2012 MCAS with the NAIC.

SECTION IV-PRODUCER LICENSING

STANDARD IV-3

Findings: One appointment termination tested was not terminated in the Division's On-Line Producer Appointment System ("OPRA") in violation of M.G.L. c. 175 § 162T due to a processing oversight.

Observations: For 16 of the appointment terminations tested, the Company properly notified the Division through the OPRA system in compliance with statutory requirements. Also for each of the tested appointment terminations, the Company was able to provide evidence of timely notice to the agents in compliance with statutory requirements, as appropriate. RNA noted that one appointment termination was improperly processed in OPRA using the notice date rather than the termination effective date.

Required Actions: The Company shall adopt new controls and procedures to ensure that appointment terminations are properly processed in OPRA in accordance with statutory requirements. The Company shall also provide training and guidance to staff on the new procedures and controls.

Subsequent Company Actions: The Company is adopting new procedures as noted in the required actions.

SECTION VI-UNDERWRITING AND RATING

STANDARD VI-1

Findings: RNA testing identified one private passenger automobile policy for which the premium rate charged was in violation of M.G.L. c. 175E, § 7A, as the rate charged did not consider the application of certain debits to the collision coverage. While the insured was under-charged, additional research indicates that between late 2008 and 2013, a systemic error resulted in a failure to apply certain debits and credits when optional coverages were added after policy issuance or renewal. The Company is still evaluating the full impact of the system error.

Also, RNA testing indicated that vacated surcharges by the Board of Appeal for nine consumers were not properly and timely reversed in accordance with M.G.L. c. 175E, § 7A and Division Bulletin 2010-11. Finally, RNA testing indicated that for one motorcycle policy, the premium rate charged was in violation of M.G.L. c. 175E, § 7A. The error was related to limited collision coverage, and the premium was overstated by \$5. The Company determined that this was related to a minor systemic error.

Observations: Based upon testing, except as noted above, the Company appears to calculate policy premiums, discounts, mid-term policy changes, and at-fault accident surcharges in compliance with its policies, procedures, and statutory requirements, and in compliance with rates filed with the Division. Also, RNA testing of vacated surcharges indicates that PRAC is in compliance requirements related to at-fault accident determination changes that are reported to consumer reporting agencies.

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Required Actions: PRAC and PIC shall adopt new controls and procedures to ensure that premium rates for private passenger automobiles and motorcycles are applied in accordance with the Company's rate filings. Additionally, PRAC and PIC shall provide training or guidance to staff about these new controls and procedures. Finally, PRAC and PIC shall complete an independent assessment of the effectiveness of the new rate application controls and procedures by September 30, 2014, or another agreed upon date, and report the results of the assessment to the Division.

PRAC and PIC shall adopt new controls and procedures to ensure that premium refunds for vacated surcharges by the Board of Appeal are timely and properly processed. Also, PRAC and PIC shall provide training or guidance to staff about these new controls and procedures. In addition, PRAC and PIC shall review all vacated surcharges since 2003 to ensure that all required premium reversals have been properly applied. Any premiums due to consumers shall be paid to them plus 6% interest. The results of this review shall be reported to the Division. Further, PRAC and PIC shall complete an independent assessment of the effectiveness of the new vacated surcharge reversal procedures by September 30, 2014, or another agreed upon date, and report the results of the assessment to the Division. Finally, PRAC and PIC shall adopt a new procedure to complete an annual review and comparison of their vacated surcharge data with data directly obtained from the Board of Appeal. The review shall include testing to obtain reasonable assurance that the vacated surcharges were accurately and timely reversed with the proper premium credit applied.

Subsequent Company Actions: With regard to the private passenger automobile rate error noted above, the Company has implemented a temporary procedure to query affected transactions monthly to ensure that any premium errors are timely corrected. The Company states that it will implement a permanent fix to the system error in the near future, and that it will make premium refunds and 6% annual interest, as appropriate. For the motorcycle rating error noted above, the system problem was corrected during 2013, and the Company made restitution plus 6% annual interest for all impacted policies. Further, PRAC and PIC provided premium refunds plus 6% annual interest for the nine vacated surcharge exceptions noted above. Finally, the Company is reviewing all vacated surcharges since 2003, adopting new controls and procedures to ensure that vacated surcharge premium refunds are timely processed, and providing guidance to staff about the new controls and procedures. The Company states that it will complete the required assessments and report the results to the Division as noted in the required actions.

STANDARD VI-6

Findings: Testing of private passenger automobile new business applications indicated that for four sales, the agents granted waivers from vehicle inspection requirements for prior damage and did not support why the waivers were in compliance with 211 CMR 94.00.

Observations: Based upon testing, the Company issues new and renewal policies and endorsements timely, accurately and completely. Except as noted above, private passenger automobile policies were issued in compliance with vehicle inspection requirements.

Required Actions: The Company shall provide a notice to all agents reminding them of the vehicle inspection requirements for prior damage and either adopt a practice to request evidence to support compliance, or ensure that testing for compliance with vehicle inspection requirements is completed during field agency audits.

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STANDARD VI-7

Findings: None.

Observations: Based upon testing and review of the information available, the Company's declinations were not unfairly discriminatory. BHIC's practice of using insurance scores for homeowners minimum underwriting requirements complies with statutory and regulatory requirements. BHIC, however, does not maintain complete homeowners declination data as certain declination information is not provided by the agents in situations where applicants do not meet BHIC's minimum insurance scores.

Required Actions: BHIC shall ensure that it receives data from agents for all applicants declined due to unacceptable insurance score. BHIC should use that data to complete agency field audit tests to ensure that Fair Credit Reporting Act ("FCRA") notices were provided to those applicants declined for insurance score. Also, the Company shall complete an independent assessment of the effectiveness of the new procedures with reporting to the Division by September 30, 2014 or another agreed upon date.

Subsequent Company Actions: BHIC recently adopted a new policy and communicated the policy to its agents. If an applicant for homeowners coverage does not meet the required minimum insurance score, the agent must either provide a FCRA notice to the applicant, or provide the application to the BHIC underwriting department for possible cancellation based on insurance score. Also, if the agent stops the quoting and application process due to the applicant not meeting the minimum insurance score, the agent must also provide the applicant a FCRA notice. Finally, BHIC has instructed its agents to retain declination information for five years noting that BHIC would conduct agency audits for compliance with these declination requirements.

STANDARD VI-8

Findings: The non-renewal notices for two of the private passenger automobile and three commercial automobile non-renewals were not adequately specific in violation of 211 CMR 97.00.

Observations: For seven private passenger automobile non-renewal notices, the reason stated was "driver experience and/or insurance history." The Division accepted these non-renewal notices as adequately specific to meet regulatory requirements but notes that use of more specific notice reasons is an industry best practice. Except as noted above, the Company provided timely and adequate notice to the policyholders for company-initiated cancellations and non-renewals with the specific reasons properly disclosed. The specific reasons were reasonable and in compliance with statutory and regulatory requirements.

Required Actions: The Company shall adopt new policies and procedures as needed to ensure that all non-renewal notices include the specific reason for non-renewal. As part of those new procedures, the Company shall provide training or guidelines to staff as needed to ensure proper processing. Also, the Company shall complete an independent assessment of the effectiveness of the new procedures with reporting to the Division by September 30, 2014 or another agreed upon date.

Subsequent Company Actions: The Company states that its non-renewal notice language was updated in 2013 to ensure compliance with regulatory requirements.

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SECTION VII-CLAIMS

STANDARD VII-4

Findings: None.

Observations: RNA noted that for each of the tested claims, the Company timely responded to claim correspondence. Based upon testing, it appears that the Company's processes for timely responding to claims correspondence are functioning in accordance with its policies, procedures and statutory requirements. The Company also addresses negative comments received on post-claim payment surveys, but the comments are not included on the Company's complaint logs.

Recommendations: The Company should include any written negative comments received on post-claim payment surveys on the Company's complaint logs.

STANDARD VII-5

Findings: None.

Observations: RNA noted that for each of the tested claims, the Company's claim files adequately documented its claim handling, but for two claims, indicated proof-of-loss letters could not be located in the claim files. Such letters are required in accordance with Company policy for losses over \$5,000. Based upon testing, it appears that the Company's claim handling processes for documenting claim files are generally functioning in accordance with its policies and procedures.

Recommendations: The Company should adopt new controls and procedures and provide training on claim documentation requirements related to proof of loss letters for losses over \$5,000. The Company should test for such documentation when conducting quality assurance audits.

STANDARD VII-6

Findings: Testing indicated that eight tested homeowners claims over \$1,000 were not properly and timely reported to local building and health authorities in accordance with M.G.L. c. 139, § 3B.

Observations: RNA noted each of the tested claims was handled according to the Company's policies and procedures, except as noted above. Based upon testing, it appears that the Company's processes for handling claims are generally functioning in accordance with its policies, procedures and statutory requirements. Finally, upon evaluation of 11 claims-related complaints, the related claims appeared to be properly handled.

Required Actions: The Company shall adopt new policies and control procedures to address the requirements of M.G.L. c. 139, § 3B and provide training or guidance to claims adjustors on proper and timely implementation of these policies and procedures. The new procedures shall be tested by internal audit or compliance to ensure that they are effectively implemented, with the results of the independent testing completed and reported to the Division by September 30, 2014.

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Subsequent Actions: The Company states that it has adopted new procedures for compliance with M.G.L. c.139, § 3B. The procedures have been communicated to the claims staff. Upon receipt of a first notice of loss for property damage that is expected to exceed \$1,000, the staff is to notify local municipal officials of the claim using the Company-designed letter template.

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COMPANY BACKGROUND

The Plymouth Rock Company Incorporated (“PRC”), the ultimate controlling entity of the Company, is a privately held company which was founded in 1982 and has been headquartered in Boston since its inception. Its business is the ownership and management of property and casualty insurance companies, specializing in coverage for personal and commercial automobiles, and homes. PRC, through a number of operating subsidiaries, insures automobiles and homes in Massachusetts, New Hampshire, and Connecticut and provides various insurance and investment management services for insurance entities in those states and other states in the northeastern United States. PRAC, PIC and BHIC have sold policies in Massachusetts for many years through a network of independent agents. PRAC and PIC sell private passenger automobile and commercial automobile business. PIC is also a Massachusetts Automobile Insurance Plan (“MAIP”) assigned risk carrier and a MAIP servicing carrier for 10 unaffiliated insurers. BHIC sells various homeowners coverages.

PRAC and PIC maintain a financial strength rating of A- (Excellent), and BHIC maintains a financial strength rating of B++ (Good) from A.M. Best. The following financial information is as of, or for the year ended December 31, 2012:

Plymouth Rock Assurance Corporation:

Admitted assets	\$405.0 million
Statutory surplus	\$144.9 million
Direct written premium	\$259.4 million
Massachusetts business - direct written premium	\$247.5 million

Pilgrim Insurance Company:

Admitted assets	\$51.5 million
Statutory surplus	\$13.9 million
Direct written premium	\$24.0 million
Massachusetts business - direct written premium	\$24.0 million

Bunker Hill Insurance Company:

Admitted assets	\$42.2 million
Statutory surplus	\$22.5 million
Direct written premium	\$39.5 million
Massachusetts business - direct written premium	\$35.9 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.

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

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

- The Company's statutory financial statements are audited annually by an independent auditor.
- PRC's Board of Directors is comprised of eight directors, including the Chief Executive Officer, President and Chief Operating Officer, Treasurer and five independent directors. Three independent directors, and the President and Chief Operating Officer, serve on the Audit Committee as required by 211 CMR 26.00.
- PRC's Board of Directors includes an Audit Committee with responsibility for financial oversight, engagement and communication with the Company's 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. The Company's internal audit plan is focused on operational, financial and IT 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.
- The Company 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, IT, regulatory, compliance and internal control risk categories. The ERM Committee reports periodically to the Board of Directors.
- The Company has quality assurance programs in its underwriting department. Underwriting supervisors complete monthly quality assurance audits of the underwriting staff to ensure that work from each underwriter is covered. Also, some of the quality assurance audit reviews are combined with supervisory procedures and are used for underwriter training and performance reviews. PRAC conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance objectives. PRAC annually reviews a sample of 20-40 policies at 10-30 agencies per year.
- The Company has also established a claims quality assurance program, whereby randomly selected claims are reviewed and evaluated for adherence to Company policies and procedures using a detailed questionnaire. PRAC supervisors review a random selection of three open and closed claims per claims representative each month. Also, claims department directors review a random sample of the quality assurance files reviewed to evaluate the review process. PIC supervisors review a random selection of up to three open and closed claims per claim representative per month. PIC also completes open reserve reviews at least once per year. BHIC

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claims management perform semi-annual reserve audits of a random selection of files open over 60 days. Annually, in connection with performance reviews, BHIC supervisors review a sample of 10 claim files per claim representative. In addition to the quality assurance programs, PIC is subject to claim audits or reviews by carriers it provides services to, and BHIC is subject to claim reviews by its reinsurers.

- The Company is subject to periodic premium and loss data audits by Commonwealth Automobile Reinsurers (“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 automobile insurance in Massachusetts.

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 corporate governance, internal audit, ERM, compliance risk assessment and quality assurance audit processes. RNA reviewed minutes of Board of Directors meetings, the internal audit plan, selected internal audit reports, and self-audit checklists.

Transaction Testing Results:

Findings: None.

Observations: The Company has documented its corporate decisions in its Board of Director minutes. Also, the Company appears to have adopted policies and procedures to ensure that appropriate audits or reviews are conducted timely. Audit findings appear to be monitored, and follow-up audits are completed to ensure that findings are properly remediated.

Recommendations: None.

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

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

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

- The Company has a fraud awareness training program for its employees.
- The Company’s Special Investigative Unit (“SIU”) has adopted antifraud procedures, which require management and employees to take reasonable precautions to prevent, detect and

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thoroughly investigate potential insurance fraud, and to report potential fraud to the Massachusetts Insurance Fraud Bureau (“IFB”). The SIU is responsible for investigating all external insurance fraud schemes, including, claimant fraud, provider fraud, premium fraud, producer fraud and underwriting fraud.

- Company policy is to comply with CAR’s SIU performance standards. All auto thefts are reported to the National Insurance Crime Bureau (“NICB”).
- The Company’s Code of Ethics and Conflict of Interest Policy are contained in a staff manual. All new employees receive a copy of the staff manual and are asked to read it. The staff manual is updated as needed and re-distributed to employees. Employees are asked to read it and must acknowledge they have received the updated manual. 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 vendor-managed hotline.
- The Company does not conduct criminal and financial background checks for prospective agents, but it does obtain a certification from the agent certifying that no owner, partner, officer, director or employee of the agency has been convicted of a felony involving dishonesty or breach of trust, made a false material misstatement to regulators, embezzled funds, made a false entry of material fact relating to solvency, or made threats to corruptly influence an insurance examiner. The agent must update the certification if the agent can no longer certify such assurances.
- The Company has implemented Office of Foreign Asset Control (“OFAC”) compliance initiatives including searches of the Specially Designated Nationals (“SDN”) database for any policyholders, claimants, or vendors that might be included in the 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 interviewed Company personnel with responsibility for antifraud initiatives, compliance procedures, Code of Ethics policies and prospective employee hiring. RNA reviewed Company policies and procedures to address antifraud initiatives as part of claims and underwriting testing and supporting documentation.

Transaction Testing Results:

Findings: None.

Observations: The Company has adopted reasonable procedures related to antifraud initiatives, compliance procedures, Code of Ethics 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, prevent and fully investigate 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 is 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 in Massachusetts is through independent agents. Company policy is to verify that independent agents are properly licensed as Massachusetts producers prior to contracting with them. Contracts contain terms and conditions that address general authorities, duties, premium accounting, commission rates, premium submission, termination provisions, privacy, and general business procedures. The agents have binding authority, and the contracts give the agents exclusive control over expirations and the agents' records. Additionally, the Company requires independent agents to maintain errors and omissions coverage of \$1,000,000 and general liability coverage of \$500,000. Finally, the independent agents are solely responsible for maintaining their producer licensing and continuing education requirements.
- The Company uses licensed contract adjusters and appraisers to supplement its claims staff as needed.
- Certain claims litigation defense duties are outsourced to various law firms and attorneys. The Company monitors the performance of the law firms and attorneys conducting litigation defense duties.
- PRAC conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance objectives. PRAC annually reviews a sample of 20-40 policies at 10-30 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 management about its use of third parties to perform Company functions, and the monitoring procedures conducted over these third parties. Further, RNA reviewed such documentation, as applicable, in connection with new and renewal business testing and claims testing.

Transaction Testing Results:

Findings: None.

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Observations: Based upon review and 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 adequately monitor the activities of the contracted entities that perform business functions on its behalf. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-5.

Controls Reliance: See Standard I-5.

Transaction Testing Procedure: RNA interviewed management about its monitoring of third parties that perform Company functions. RNA also reviewed producer documentation that supports the new or renewal business sold. As part of claims testing, RNA reviewed claims processed by independent adjusters and appraisers.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, it appears that the Company is adequately monitoring the activities of third parties assuming a business function, in compliance with statutory and regulatory requirements.

Recommendations: None.

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

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

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

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

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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 obtained a summary of the Company's record retention policies and procedures, and evaluated them for reasonableness.

Transaction Testing Results:

Findings: None.

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.

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

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

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

Controls Reliance: Not applicable.

Transaction Testing Procedure: 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.

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

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

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

Controls Reliance: Not applicable.

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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 is concerned with 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-16:

- Company policy requires that the consumer privacy notice be provided to applicants when a new personal lines policy is issued. The consumer privacy notice is also annually provided to customers with personal lines renewal notices. Finally, 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. The Company does not share information with other companies for marketing purposes, and thus, no opt out notice is required. Company policy is to disclose information 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.

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.

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Observations: Based upon review and completion of underwriting 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 underwriting 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.

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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.

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

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company provides a sufficient consumer privacy notice to customers that discloses 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 with regard 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 including those for the use of opt out notices.

Transaction Testing Results:

Findings: None.

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Observations: The Company does not provide opt out notices to consumers as nonpublic personal financial information is not shared for marketing purposes.

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 is concerned with 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.

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.

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.

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

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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 is concerned with 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: The following controls were noted in review of this Standard:

- The Company has developed and implemented information technology security policies and practices to safeguard nonpublic personal and health information. The Company annually conducts information systems risk assessments to consider, document and review information security threats and controls, and to continually improve information systems security.
- Only individuals approved by Company management are granted access to the Company's electronic and operational areas where non-public personal financial and health information is located. Access is frequently and strictly monitored.

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 information security compliance, and reviewed documentation supporting its information security policies and procedures.

Transaction Testing Results:

Findings: None.

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

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Recommendations: None.

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

Objective: This Standard is concerned with the Company's annual reporting of statutorily-required homeowners underwriting and claims data and the Market Conduct Annual Statement ("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 and claims systems compile and retain homeowners underwriting and claims data for inclusion in the annual homeowners data submission to the Division.
- The Company's policy administration and claims systems compile and retain underwriting and claims data for inclusion in the MCAS.

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 underwriting and claims processing. RNA reviewed the 2012 homeowners underwriting and claims data statutorily-required to be submitted to the Division, and also reviewed the 2012 MCAS data for unusual results and concerns.

Transaction Testing Results:

Findings: None.

Observations: Based upon RNA's review of the Company's underwriting and claims processing and the 2012 homeowners underwriting and claims data, no unusual results and concerns were noted, and the statutorily-required data reported to the Division appears to be reasonably complete and accurate. RNA's review of the Company's 2012 MCAS Massachusetts data indicated no unusual underwriting or claims data, although the number of private passenger automobile and homeowner company-initiated cancellations were overstated due to improperly classified transactions that should have been reported as insured-requested cancellations. The insured-requested cancellations were improperly classified due to agent input errors.

Recommendations: The Company should adopt new transaction coding policies and procedures to ensure that insured-requested cancellations are properly coded by agents. Also, the Company should conduct staff and agent training regarding these new procedures to ensure that all transactions are properly coded for management and regulatory reporting. Further, the Company should adopt new procedures for the independent review of MCAS filings prior to filing with the NAIC, to ensure that the data is accurate, complete and properly reconciled to underlying data contained in the Company's policy administration, underwriting and claims systems. Finally, the Company should conduct independent monitoring by internal audit, compliance or quality assurance testing staff to ensure that the new procedures have been

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properly implemented, with the audit report provided to the Division by September 30, 2014, or another agreed upon date.

Subsequent Company Actions: The Company is adopting new procedures as noted in the recommendations and has re-filed its 2012 MCAS with the NAIC.

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.
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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. All PRAC regulatory complaints are received by the Assistant to the President, who directs copies to a distribution list consisting of the President of the Company, the legal department, and either the Vice-President of Claims or an Underwriting Operations Supervisor. The Assistant to the President populates the complaint logs and tracks the complaint through its resolution. 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 his 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 logs. Better Business Bureau, consumer complaints that do not originate from a regulator, and concerns expressed through social media are handled directly by the business units and are documented in the business units' complaint logs. Concerns expressed by phone in the operational areas are handled in those operational units and are not considered complaints.

- BHIC and PIC have similar complaint handling processes except that BHIC complaint logs are maintained, and final complaint responses are sent by, the BHIC Claims or Underwriting Director. PIC complaint logs are maintained by the Claims Manager, and final complaint responses are sent by the Claims Manager or Director of Operations.
- The Company's policy is to respond to complaints within two weeks whenever possible.
- The Company provides a telephone number and address in its written responses to complaints, inquiries and on its web-site.
- The Company's complaint logs contain the complaint number, regulatory complaint number, date received, date of the complaint letter, date of complaint acknowledgement, date of response, origin of the complaint, line of business, complainant name and state, claim or underwriting file number, nature of complaint, complaint disposition and any additional remarks.
- The Company reviews all complaint activity for identification of any recurring, systemic or potential problems. Management reporting of complaint activity is made on an as needed 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.

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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 complaint logs for 2012-2013 to evaluate the Company's compliance with statutory complaint requirements and to determine whether they properly contained all Division complaints.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that the Company's complaint logs include all statutorily-required database elements and that the complaint logs were complete.

Recommendations: None.

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

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

Controls Assessment: See Standard II-1.

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 reviewed 20 regulatory and Company-received complaints received in 2012 and 2013, to evaluate the Company's 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 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 reviewed 20 regulatory and Company-received complaints received in 2012 and 2013, 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.

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 reviewed 20 regulatory and Company-received complaints received in 2012 and 2013, to evaluate the Company's complaint response times.

Transaction Testing Results:

Findings: None.

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Observations: The Company addressed the tested regulatory complaints within 14 days. 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 is concerned with whether the Company maintains a system of control over the content, form and method of dissemination for all advertising materials. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted as part of this Standard and Standard III-4:

- The Company conducts brand awareness advertising to the general public through local radio and television stations. Sales and advertising materials such as brochures, flyers and fact sheets, are generally developed for use by agents. Such sales materials are tracked through a project management system and are approved by management and the legal department prior to use.
- The Company uses social media only as a means to promote brand awareness. Use of social media is coordinated by the Company's corporate communications department.
- Advertising to the general public is also provided by agents who use Company co-op advertising. Such advertising pieces must be submitted to the Company and approved.
- 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.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for reviewing, approving and maintaining sales and advertising materials, and obtained supporting documentation. RNA selected five advertising and sales materials utilized during the examination period and reviewed them for accuracy and reasonableness. Further, RNA reviewed the Company's website for disclosure of its name and address. Finally, RNA reviewed any sales and marketing materials noted as part of new and renewal business testing for any evidence of use of unapproved sales and marketing materials.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that the tested materials appeared accurate and reasonable, and the Company's website disclosure complies with Division requirements. Finally, RNA noted no evidence of the use of unapproved sales materials as part of new and renewal business testing.

Recommendations: None.

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

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

Controls Assessment: The following controls were noted as part of this Standard and Standard III-3:

- The Company's sales distribution in Massachusetts is through independent agents.
- 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 IT technical teams, underwriting management and sales management.
- Independent agents provide application information to the Company when applications are taken. Additionally, the underwriting function monitors the business produced by the agents and assists agents producing poor underwriting results to improve their profitability.
- PRAC conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance objectives. PRAC annually reviews a sample of 20-40 policies at 10-30 agencies per year.
- The independent agents are contractually required to maintain Massachusetts continuing education and producer licensing requirements.

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

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for developing and distributing agent training materials to understand the nature and breadth of the Company's producer training.

Transaction Testing Results:

Findings: None.

Observations: Based upon review, the Company's agent training processes appear adequate and reasonable.

Recommendations: None.

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

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

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Controls Assessment: See Standard III-2.

Controls Reliance: See Standard III-2.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for developing and distributing employee and independent agent communications to understand the nature and breadth of such communications. RNA reviewed independent agent communications as part of new and renewal business testing for reasonableness.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

Standard III-4. The regulated entity's mass marketing of property/casualty insurance is in compliance with applicable statutes, rules and regulations.

Objective: This Standard is concerned with whether marketing to groups by 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-1.

Controls Reliance: See Standard III-1.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for developing and distributing group marketing communications to understand the nature and breadth of such communications. RNA reviewed group marketing communications as part of new and renewal business testing for reasonableness.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, procedures for group marketing communications appear appropriate and reasonable. RNA noted no evidence of unreasonable group marketing communications as part of new and renewal business testing.

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 sells personal lines policies in Massachusetts through independent agents.
- The Company does not conduct criminal and financial background checks for prospective agents, but it does obtain a certification from the agent certifying that no owner, partner, officer, director or employee of the agency has been convicted of a felony involving dishonesty or breach of trust, made a false material misstatement to regulators, embezzled funds, made a false entry of material fact relating to solvency, or made threats to corruptly influence an insurance examiner. If the agent can no longer certify these statements, the agent must subsequently disclose that to the Company.
- Standard agency contracts contain terms and conditions that address general authorities, duties, premium accounting, commission rates, premium submission, termination provisions, privacy, and general business procedures. The agents have binding authority, and the contracts give the agents exclusive control over expirations and the agents' records. Additionally, the Company requires independent agents to maintain errors and omissions coverage of \$1,000,000 and general liability coverage of \$500,000. Finally, the independent agents are solely responsible for maintaining their producer licensing and continuing education requirements.
- The Company uses the Division's On-Line Producer Appointment System ("OPRA") to process agent appointments and terminations. The Company completes an annual reconciliation of its agent appointment and termination records with the OPRA System, and makes corrections to the records as necessary.

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, five commercial automobile, and 25 homeowners policies issued or renewed during the examination period, to determine whether the independent agents involved in these sales were included on the Division's list of the Company's appointed agents.

Transaction Testing Results:

Findings: None.

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Observations: Based upon testing, the Company's independent 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 licensing and appointment. See Standard III-2 for discussion of producer continuing education requirements. See Appendix A for applicable statutes, regulations and bulletins.

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 agents in accordance with applicable statutes requiring notification to the state and the agent. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard and Standards IV-4 and IV-5:

- The Company's appointment terminations are generally due to lack of production or profitability, or at the request of the agent. The Company's policy is to give written notice to all agents whose appointments are terminated. Agency appointment terminations are reported timely to the agent and are reported to the Division through the OPRA System.
- The Company completes an annual reconciliation of its agent appointment and termination records with the OPRA System, and makes corrections to the records as necessary. Agent terminations are to be processed in accordance with the agent contract, and the termination effective date is the date that new or renewal business submissions will no longer be accepted. After the agent appointment is terminated, licensed producers are able to service in-force policies until expiration.
- The Company's policy is to give additional information to the Division about agents whose appointments are terminated "for cause" including the reason for the terminations.

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 agent supervision, producer contracting and appointment termination processing. RNA selected 17 appointment terminations and compared that information to corresponding information in the Company's appointment termination listings and the Division's OPRA system. Finally, RNA reviewed evidence that notices to the Division and the agents complied with statutory requirements.

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Transaction Testing Results:

Findings: One appointment termination tested was not terminated in OPRA in violation of M.G.L. c. 175 § 162T due to a processing oversight.

Observations: For 16 of the appointment terminations tested, the Company properly notified the Division through the OPRA system in compliance with statutory requirements. Also for each of the tested appointment terminations, the Company was able to provide evidence of timely notice to the agents in compliance with statutory requirements, as appropriate. RNA noted that one appointment termination was improperly processed in OPRA using the notice date rather than the termination effective date.

Required Actions: The Company shall adopt new controls and procedures to ensure that appointment terminations are properly processed in OPRA in accordance with statutory requirements. The Company shall also provide training and guidance to staff on the new procedures and controls.

Subsequent Company Actions: The Company is adopting new procedures as noted in the required actions.

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

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

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

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

Transaction Testing Procedure: RNA interviewed individuals with responsibility for producer contracting, appointments and terminations. In conjunction with testing of 25 private passenger automobile, five commercial automobile, and 25 homeowners policies issued or renewed during the examination period, and testing of 17 agent appointment terminations, RNA reviewed documentation for any evidence of unfair discrimination against policyholders resulting from the Company's agent appointment and termination policies.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, no evidence of unfair discrimination against policyholders was noted as a result of the Company's agent appointment and termination policies.

Recommendations: None.

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

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

Controls Assessment: See Standard IV-3.

Controls Reliance: See Standard IV-3.

Transaction Testing Procedure: RNA interviewed individuals with responsibility for agent contracting and appointment termination processing. RNA selected 17 appointment terminations during the examination period, and reviewed the reasons for each appointment termination. RNA also inquired about any 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. One of the 17 agent appointment terminations tested was "for cause." The "for cause" termination reason and notification to the agent and the Division complied with statutory requirements.

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 direct bills most premium and agent advances are not provided. Thus, excessive debit account balances are not a significant issue.

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.
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Objective: This Standard is concerned with 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 billing and payment methods include payment in full at inception or direct bill in installments. Payments are accepted using a check, credit card, debit card, or electronic funds transfer. For new business, a down payment of 20% to 25% is generally required, depending on policy type and the customer's payment history.
- For billed installments, the initial bill is sent approximately 23 days prior to the due date. If not paid, a late notice is sent out five days after the due date. If not paid by the 25th day, a cancellation notice is sent to the customer.
- The Company has developed standards for billing and collections, and monitors compliance with those standards.

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.

Recommendations: None.

Standard V-2. Policy issuance and insured-requested cancellations are timely.

Objective: This Standard is concerned with whether the Company has procedures to ensure that policyholder cancellation requests are processed timely. Policy issuance testing is included in Standard VI-6. Return of premium testing is included in Standard V-7. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard and Standard V-7:

- Company policy is to process insured-requested policy cancellations and applicable premium refunds in a timely manner. Policy cancellation requests from customers must be made through the independent agents, who are able to process the requests electronically, or who will forward the request to the Company.
- All unearned premium is refunded to the policyholder on a short rate or a pro-rata basis.
- Automobile policyholders may cancel their policy only after filing a Form 2A-Notice of Transfer of Coverage or similar form, proof that the vehicle has been taken out of service or evidence that they have moved out of Massachusetts.

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 16 private passenger automobile, five commercial automobile, and 18 homeowner 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.

Recommendations: None.

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

Objective: This Standard addresses the Company's procedures for providing timely 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.

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

- Customer service representatives answer general questions or correspondence about the policyholder's policy or premium billing and can make billing changes.
- The Company has underwriting representatives who assist independent agents with policyholders' general questions about their policies.
- The Company considers its independent agents as having the primary relationship with the policyholder, who must request endorsements and policy changes through the agent. If a policyholder requests such changes directly with the Company, the policyholder will be referred to the agent for servicing. Any such changes needing underwriting approval will be requested by the agents and processed through the Company's underwriting work flow system.
- The Company has developed performance and work flow standards for underwriting and policyholder service and monitors compliance with those standards.

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 obtained documentation of underwriting, rating and policyholder service standards. RNA reviewed customer 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, policyholder service and claims 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.

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.

No work performed. The Company does not enter into assumption reinsurance agreements.

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

Objective: This Standard addresses procedures for 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, and insured-requested cancellations are tested in Standard V-2. Return of premium testing is included in Standard V-7. 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 returned mail such as policies, required notices, and billing notices by reviewing Company information and asking for assistance from the agent as needed. For any returned mail that includes premium refund or claims checks, the Company voids the check and notifies the underwriting department, claims adjuster 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, at 90 days prior to escheatment, a final letter is sent to the payee at the best available address notifying him or her that the check is still outstanding.
- Once these efforts are exhausted and after three years, the funds are deemed abandoned property and escheated in accordance with Massachusetts Law.
- 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.

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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 also reviewed the results of a 2011 escheatment internal audit. RNA compared the Company's policies and procedures to the Division's best practices in these areas. Finally, RNA reviewed the 2012 escheatment filing with the Massachusetts State Treasurer.

Transaction Testing Results:

Findings: None.

Observations: The Company's 2011 escheatment internal audit findings noted that non-cashed payments by vendors, agents and other insurers had not been properly escheated in Massachusetts, Connecticut and New Hampshire. As a result of the audit, all identified amounts were later escheated, or checks were reissued to the payees. The Company has implemented new procedures to ensure that similar reporting errors do not recur. Based upon review, the Company appears to report unclaimed items and escheat them as required by statute. Finally, the Company appears to have processes for locating missing policyholders and claimants, and appears to make efforts to locate such individuals.

Recommendations: None.

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

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

Controls Assessment: See Standard V-2.

Controls Reliance: See Standard V-2.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for policyholder service and tested 18 private passenger automobile, five commercial automobile, and 16 homeowner insured-requested cancellations from the examination period, to test for proper premium refund calculation and timely payment, where appropriate. RNA also reviewed the results of a 2013 premium refund internal audit.

Transaction Testing Results:

Findings: None.

Observations: PRAC and PIC self-reported to the Division errors in calculating premium refunds to insureds who cancelled coverage within 30 days of experiencing a total loss. The Company's rating rules state the return premium in these circumstances shall be calculated on a pro rata basis with no short rate penalty. In July 2013, the Company's internal audit department determined there were instances where policies were cancelled under these circumstances and a short rate penalty was erroneously applied to the return premium. Management states this return premium processing error occurred only with policies having effective dates after the Company's transition

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to a new policy administration system in 2008. Other than this self-report and based upon testing, premium refunds appear to be calculated properly and returned timely.

Recommendations: None.

Subsequent Company Actions: The Company states a system correction was implemented to correct the above noted premium refund processing error in 2013. PRAC and PIC made premium refunds to customers totaling \$59,453 and \$9,336, respectively, including 6% interest.

<u>Standard V-8. Claims history and loss information is provided to the insured in timely manner.</u>
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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 claims personnel and independent agents have access to policyholders' claims history and paid loss information.
- The Company's policy is to directly provide a policyholder with his or her claims history and paid loss information upon request.

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 that the Company was 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. 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.
- The Company has provided agents with personal and commercial lines underwriting requirements for use in evaluating risks. Agents have binding authority.
- Agents may obtain private passenger and commercial automobile and homeowners quotes using the Company's rating engine or other third party comparative rating tools. Agents electronically submit insurance policy applications using a web portal, with evidence of the applicants' signature retained in the agents' files. The standard forms for the applications are approved by the Division. The Company uses automated underwriting guidelines to accept or reject private passenger and commercial automobile and homeowners risks.
- 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.
- 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 underwriting or rating.
- The Company adheres to Massachusetts regulatory standards of fault in determining at-fault accidents and is to ensure that at-fault drivers are appropriately surcharged for such accidents. Surcharged drivers are to be notified of the right to appeal the surcharge. PRAC reports the at-fault indicator to the consumer reporting agency, Claims Loss Underwriting Exchange ("CLUE"). PIC does not report at-fault accidents to any consumer reporting agencies.
- Private passenger automobile rates are based on Automobile Insurers Bureau of Massachusetts ("AIB") base rates with deviations using actuarial guidelines and principles.
- The Company is subject to periodic premium data audits by CAR for compliance with statutes and CAR Rules.
- Homeowners rates are based on Massachusetts Insurance Services Office ("ISO") data and the Company's competitive analysis of market rates.
- Homeowners underwriting and rating criteria include territory, coverage amount and type, property age, protection class, structure type as well as discounts for new homes, security features, safety features, loss free status, and higher deductibles. BHIC uses a minimum insurance score, which is based on credit, in homeowners new business underwriting and rating.

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- Personal lines rates are filed with the Division and approved prior to use. All approved rates are loaded in the Company's underwriting and policy administration systems and are tested prior to use.
- The Company has quality assurance programs in its underwriting department. Underwriting supervisors complete monthly quality assurance audits of the underwriting staff to ensure that work from each underwriter is covered. PRAC conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance objectives. PRAC annually reviews a sample of 20-40 policies at 10-30 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, five commercial automobile, and 25 homeowners policies issued or renewed during the examination period, to test rate classifications and underlying policy information. From these test selections, RNA selected 13 private passenger automobile and 12 homeowners policies and verified that each policy's premium, discounts and surcharges complied with statutory and regulatory requirements and that premium charges were accurate. To test compliance with the October 2010 Regulatory Settlement Agreement between the Company and the Division related to reporting of at-fault accident determinations with consumer reporting agencies, RNA tested 54 vacated at-fault accident determinations by the Board of Appeal. RNA tested the 54 vacated surcharges for accurate and timely reversal of the vacated at-fault accident determinations and for the Company's timely reporting to consumer reporting agencies. Further, to test compliance with the April 2011 Regulatory Settlement Agreement between the Company and the Division related to valuation of motorcycles and premium rating, RNA selected 50 motorcycle policies to test rates charged and motorcycle valuations used for comprehensive and collision coverages. RNA also conducted testing of 116 policies from 2010 – 2012 CAR data, to determine whether PRAC properly reflected mid-term policy changes, including driver classification changes due to experience, in accordance with its Division rate filings. Finally, during private passenger automobile claims testing, RNA tested to ensure that at-fault accident surcharges were properly applied in accordance with regulatory requirements.

Transaction Testing Results:

Findings: RNA testing identified one private passenger automobile policy for which the premium rate charged was in violation of M.G.L. c. 175E, § 7A, as the rate charged did not consider the application of certain debits to the collision coverage. While the insured was under-charged, additional research indicates that between late 2008 and 2013, a systemic error resulted in a failure to apply certain debits and credits when optional coverages were added after policy issuance or renewal. The Company is still evaluating the full impact of the system error.

Also, RNA testing indicated that vacated surcharges by the Board of Appeal for nine consumers were not properly and timely reversed in accordance with M.G.L. c. 175E, § 7A and Division Bulletin 2010-11. Finally, RNA testing indicated that for one motorcycle policy, the premium rate charged was in violation of M.G.L. c. 175E, § 7A. The error was related to limited collision coverage, and the premium was overstated by \$5. The Company determined that this was related to a minor systemic error.

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Observations: Based upon testing, except as noted above, the Company appears to calculate policy premiums, discounts, mid-term policy changes, and at-fault accident surcharges in compliance with its policies, procedures, and statutory requirements, and in compliance with rates filed with the Division. Also, RNA testing of vacated surcharges indicates that PRAC is in compliance requirements related to at-fault accident determination changes that are reported to consumer reporting agencies.

Required Actions: PRAC and PIC shall adopt new controls and procedures to ensure that premium rates for private passenger automobiles and motorcycles are applied in accordance with the Company's rate filings. Additionally, PRAC and PIC shall provide training or guidance to staff about these new controls and procedures. Finally, PRAC and PIC shall complete an independent assessment of the effectiveness of the new rate application controls and procedures by September 30, 2014, or another agreed upon date, and report the results of the assessment to the Division.

PRAC and PIC shall adopt new controls and procedures to ensure that premium refunds for vacated surcharges by the Board of Appeal are timely and properly processed. Also, PRAC and PIC shall provide training or guidance to staff about these new controls and procedures. In addition, PRAC and PIC shall review all vacated surcharges since 2003 to ensure that all required premium reversals have been properly applied. Any premiums due to consumers shall be paid to them plus 6% interest. The results of this review shall be reported to the Division. Further, PRAC and PIC shall complete an independent assessment of the effectiveness of the new vacated surcharge reversal procedures by September 30, 2014, or another agreed upon date, and report the results of the assessment to the Division. Finally, PRAC and PIC shall adopt a new procedure to complete an annual review and comparison of their vacated surcharge data with data directly obtained from the Board of Appeal. The review shall include testing to obtain reasonable assurance that the vacated surcharges were accurately and timely reversed with the proper premium credit applied.

Subsequent Company Actions: With regard to the private passenger automobile rate error noted above, the Company has implemented a temporary procedure to query affected transactions monthly to ensure that any premium errors are timely corrected. The Company states that it will implement a permanent fix to the system error in the near future, and that it will make premium refunds and 6% annual interest, as appropriate. For the motorcycle rating error noted above, the system problem was corrected during 2013, and the Company made restitution plus 6% annual interest for all impacted policies. Further, PRAC and PIC provided premium refunds plus 6% annual interest for the nine vacated surcharge exceptions noted above. Finally, the Company is reviewing all vacated surcharges since 2003, adopting new controls and procedures to ensure that vacated surcharge premium refunds are timely processed, and providing guidance to staff about the new controls and procedures. The Company states that it will complete the required assessments and report the results to the Division as noted in the required actions.

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

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's controls are to ensure that new business submissions are accurate and complete, including the use of all Company-required forms and instructions.
- The Company's insurance policies provide disclosures as required by statutory and regulatory guidelines.
- The Company provides private passenger automobile information guides to consumers.

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, five commercial automobile, 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 coverage disclosures to insureds upon initial application and renewal, in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

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

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 commissions to independent agents in accordance with written contracts.

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- The Company's independent agent 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 producer licensing, agent appointment and agent compensation. In connection with the review of producer contracts, RNA inspected new business materials, advertising materials, producer training materials and manuals for indications of rebating, commission cutting or improper inducements. RNA selected 25 private passenger automobile, five commercial automobile, and 25 homeowners policies issued or renewed during the examination period for indications of rebating, commission cutting or improper 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, and Company-developed forms and endorsements approved by the Division. The Company uses the AIB Massachusetts Private Passenger Automobile Form, which has been approved by the Division.

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- Company policy requires the use of standard homeowners policy forms, many based on ISO forms, and Company-developed forms and endorsements. All homeowners policy forms and endorsements are filed with, and approved by, the Division prior to use.
- Approved 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, five commercial automobile, 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.

Standard VI-6. Policies, riders and endorsements are issued or renewed accurately, timely and completely.
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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.
- The Company's underwriting and policy administration systems are used for quoting, rating and underwriting policy applications.
- Pre-insurance inspections are required for new coverage of used private passenger automobiles unless a qualified exemption is met or a waiver is obtained.

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, five commercial automobile, 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. RNA also tested for compliance with vehicle inspection requirements.

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Transaction Testing Results:

Findings: Testing of private passenger automobile new business applications indicated that for four sales, the agents granted waivers from vehicle inspection requirements for prior damage and did not support why the waivers were in compliance with 211 CMR 94.00.

Observations: Based upon testing, the Company issues new and renewal policies and endorsements timely, accurately and completely. Except as noted above, private passenger automobile policies were issued in compliance with vehicle inspection requirements.

Required Actions: The Company shall provide a notice to all agents reminding them of the vehicle inspection requirements for prior damage and either adopt a practice to request evidence to support compliance, or ensure that testing for compliance with vehicle inspection requirements is completed during field agency audits.

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

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 commercial automobile, and homeowners coverage may be declined by the independent agent on the Company's behalf or by the underwriting department if the risks do not meet the Company's underwriting guidelines.
- BHIC uses a minimum insurance score, which is based on credit, in homeowners new business underwriting. Any insured declined coverage for an unacceptable insurance score is provided a Fair Credit Reporting Act ("FCRA") adverse action notice either by the Company or the agent.
- Other than declination for insurance score where a FCRA notice is provided, agents may provide either a written or oral declination notice to the applicant for other declination reasons.

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 tested 25 private passenger automobile and 25 homeowners declinations processed during the examination period to ensure that declinations were not unfairly discriminatory and to ensure that proper declination notices were given to applicants.

Transaction Testing Results:

Findings: None.

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Observations: Based upon testing and review of the information available, the Company's declinations were not unfairly discriminatory. BHIC's practice of using insurance scores for homeowners minimum underwriting requirements complies with statutory and regulatory requirements. BHIC, however, does not maintain complete homeowners declination data as certain declination information is not provided by the agents in situations where applicants do not meet BHIC's minimum insurance scores.

Required Actions: BHIC shall ensure that it receives data from agents for all applicants declined due to unacceptable insurance score. BHIC should use that data to complete agency field audit tests to ensure that FCRA notices were provided to those applicants declined for insurance score. Also, the Company shall complete an independent assessment of the effectiveness of the new procedures with reporting to the Division by September 30, 2014 or another agreed upon date.

Subsequent Company Actions: BHIC recently adopted a new policy and communicated the policy to its agents. If an applicant for homeowners coverage does not meet the required minimum insurance score, the agent must either provide a FCRA notice to the applicant, or provide the application to the BHIC underwriting department for possible cancellation based on insurance score. Also, if the agent stops the quoting and application process due to the applicant not meeting the minimum insurance score, the agent must also provide the applicant a FCRA notice. Finally, BHIC has instructed its agents to retain declination information for five years noting that BHIC would conduct agency audits for compliance with these declination requirements.

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

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 notices are tested 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:

- Company-initiated cancellations of private passenger and commercial automobile policies for underwriting reasons are a result of driver license suspension, vehicle registration violations or material misrepresentation, with most occurring within the first 60 days of coverage. Written notice of cancellation with the specific reason for the cancellation is sent to the policyholder and the independent agent at least 23 days prior to the cancellation effective date.
- Company-initiated cancellations of homeowners policies for underwriting reasons are generally a result of changes in the risk, failure to address inspection deficiencies, material misrepresentation, or an unacceptable insurance score, with most occurring within the first 60 days of coverage. Written notice of cancellation with the specific reason for the cancellation is sent to the policyholder and the independent agent at least 23 days prior to the cancellation effective date. In addition, any insured cancelled for an unacceptable insurance score is provided a FCRA adverse action notice with the cancellation notice.
- Written non-renewal notices for unacceptable renewals of private passenger and commercial automobile, and homeowners risks are provided to the policyholders and the independent agent at least 45 days prior to the non-renewal effective date. The notices state the specific reasons for the non-renewals.

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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 tested 13 private passenger automobile, one commercial automobile, and 12 homeowners company-initiated cancellations reported in MCAS for testing. In addition, RNA selected 25 private passenger automobile, three commercial automobile, and 25 homeowners non-renewal transactions from MCAS for testing. All transactions were evaluated for compliance with statutory and Company policy requirements.

Transaction Testing Results:

Findings: The non-renewal notices for two of the private passenger automobile and three commercial automobile non-renewals were not adequately specific in violation of 211 CMR 97.00.

Observations: For seven private passenger automobile non-renewal notices, the reason stated was “driver experience and/or insurance history.” The Division accepted these non-renewal notices as adequately specific to meet regulatory requirements but notes that use of more specific notice reasons is an industry best practice. Except as noted above, the Company provided timely and adequate notice to the policyholders for company-initiated cancellations and non-renewals with the specific reasons properly disclosed. The specific reasons were reasonable and in compliance with statutory and regulatory requirements.

Required Actions: The Company shall adopt new policies and procedures as needed to ensure that all non-renewal notices include the specific reason for non-renewal. As part of those new procedures, the Company shall provide training or guidelines to staff as needed to ensure proper processing. Also, the Company shall complete an independent assessment of the effectiveness of the new procedures with reporting to the Division by September 30, 2014 or another agreed upon date.

Subsequent Company Actions: The Company states that its non-renewal notice language was updated in 2013 to ensure compliance with regulatory requirements.

<u>Standard VI-9. Rescissions are not made for non-material misrepresentation.</u>

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 Company underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks.
- The Company states that, although quite rare, rescissions may be given only for significant material misrepresentations or fraud and only with approval of the legal department.

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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 inquired about procedures for issuing 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. 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 Division limited the scope of this examination to personal lines and commercial automobile business only.

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 Division limited the scope of this examination to personal lines and commercial automobile business only.

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 Division limited the scope of this examination to personal lines and commercial automobile business only.

Standard VI-14. Verification of experience modification factors.

No work performed. This Standard is not covered in the scope of examination as the Division limited the scope of this examination to personal lines and commercial automobile business only.

Standard VI-15. Verification of loss reporting.

No work performed. This Standard is not covered in the scope of examination as the Division limited the scope of this examination to personal lines and commercial automobile business only.

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 Division limited the scope of this examination to personal lines and commercial automobile business only.

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 and rating in accordance with statutory requirements.
- Written Company policies and procedures are designed to reasonably assure consistency in the application of underwriting guidelines, rating classifications, premium discounts and surcharges determined at or near the inception of coverage.
- Written Company underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks on a proper, consistent and fair basis.
- The Company has quality assurance programs in its underwriting department. Underwriting supervisors complete monthly quality assurance audits of the underwriting staff to ensure that work from each underwriter is covered. PRAC conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance objectives. PRAC annually reviews a sample of 20-40 policies at 10-30 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.

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Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 25 private passenger automobile, five commercial automobile, 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 Company's customer service representatives and independent agents are responsible for obtaining the VIN and vehicle symbol when the applications are completed.
- The Company's underwriting system compares the VIN and vehicle symbol to electronic databases to ensure that both are accurate.

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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 and five commercial automobile policies issued or renewed 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.

Standard VI-21. The regulated entity does not engage in collusive or anti-competitive underwriting practices.
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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 Company underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks on a proper, consistent and fair basis.
- The Company has quality assurance programs in its underwriting department. Underwriting supervisors complete monthly quality assurance audits of the underwriting staff to ensure that work from each underwriter is covered. PRAC conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance objectives. PRAC annually reviews a sample of 20-40 policies at 10-30 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 25 private passenger automobile, five commercial automobile, and 25 homeowners policies issued or renewed during the examination period to determine whether any

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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 to 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 employer groups.
- The Company's mass marketing plans offered to employer groups are filed with the Division for approval.
- 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 employer 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 the underwriting process. RNA selected 25 private passenger automobile policies issued or renewed during the examination period, to ensure that underwriting practices for mass marketing plans offered to employer or other groups were not unfairly discriminatory. 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 employer or other groups are unfairly discriminatory. All affinity premium discounts were approved by the Division.

Recommendations: None.

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

Objective: This Standard addresses whether mass marketing policies meet statutory and regulatory requirements. See Standard VI-22 for this testing. See Appendix A for applicable statutes, regulations and bulletins.

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's policies and procedures require that Company personnel confirm that certain coding elements reported by the agents are correct and current.
- The Company has a process to correct data coding errors and to make subsequent changes, as needed.
- The Company has policies and procedures 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.
- The Company has quality assurance programs in its underwriting department. Underwriting supervisors complete monthly quality assurance audits of the underwriting staff to ensure that work from each underwriter is covered. PRAC conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance objectives. PRAC annually reviews a sample of 20-40 policies at 10-30 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.

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Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for the underwriting process and the statistical reporting process. RNA selected 25 private passenger automobile, five commercial automobile, 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.
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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.
- The Company's independent agents are responsible for completing and retaining applications for new business and obtaining information needed to properly underwrite and rate the policies.
- The Company has quality assurance programs in its underwriting department. Underwriting supervisors complete monthly quality assurance audits of the underwriting staff to ensure that work from each underwriter is covered. PRAC conducts periodic audits of the independent agencies to ensure that the agents are maintaining signed applications, supporting discount information and meeting other required compliance objectives. PRAC annually reviews a sample of 20-40 policies at 10-30 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 25 private passenger automobile, five commercial automobile, and 25 homeowners policies issued or renewed during the examination period to test data coding for selected policy determinants. RNA also sought evidence of complaints related to unusual underwriting decisions.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, application information was properly submitted, and policy files adequately supported the Company's decisions. No evidence of complaints related to unusual underwriting decisions was noted.

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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 of this Standard through Standard VII-13:

- The Company's personal lines claim handling process is organized by legal entity with operations organized along functional and claim coverage lines. SIU, subrogation and IT support are home office-centralized support units. The Company has a first notice of loss ("FNOL") call center located in Horsham, Pennsylvania that handles PRAC and BHIC claim in-take. The Company also uses licensed contract adjusters and appraisers to supplement its staff as needed.
- The Company has adopted a supervisory structure to ensure that settlement authorities and procedures are followed. Individual claim settlement authority limits are assigned commensurate with claims adjusters' experience. Staff adjusters are responsible for verifying coverage, coordinating claim investigations, establishing liability and determining damages.
- Written policies and procedures govern claims handling processes. Claim FNOL is generally reported through the Company's 800 phone number by the claimant or the agent. A claim number is established, and key information, such as the claimant's name, policyholder information, policy number, accident date, location, and extent of injuries is obtained and recorded in the electronic claims processing system, which includes a claim diary and history notes.
- Claims are investigated to determine existence of coverage, so that an initial liability determination can be made. Field adjusters are utilized as needed and provide written documentation supporting their procedures performed and conclusions reached. Field appraisers are dispatched for automobile physical damage and collision claims. Also, the Company has established an approved repair shop program pursuant to 211CMR 123.00. The Company contracts with vendors for services related to auto glass claims, car rental coverage, and roadside assistance claims. The Company does not use software to evaluate bodily injury claims.
- Company policy is to comply with claim settlement performance standards established by CAR and those set forth in statute. The Company is subject to audits from CAR for compliance with the standards, which specify time frames for assigning an appraiser, inspecting a vehicle, and paying a claim. 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. At-fault accident determinations for PRAC are reported to CLUE using Lexis/Nexis databases. PIC does not report the at-fault accident determinations to CLUE. 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.

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- Company policy is to comply with CAR's SIU performance standards. Claim staff receive training regarding SIU red flags and also use judgment to make referrals to SIU; however, the claims adjustor maintains ownership of the claims adjudication. The SIU is responsible for coordinating with the IFB, in cases where fraud is believed to have occurred, to assist with criminal investigation and prosecution. All auto thefts are reported to the NICB.
- The Company has implemented OFAC compliance initiatives including searches of the SDN database for any policyholders, claimants, or vendors that might be included in the SDN database.
- Reservation of rights and excess of loss letters are issued when potential coverage issues arise. Department of Revenue checks are performed as required by statute and are documented in the claim files. Also, underwriting risk referrals are made to the underwriting department as necessary.
- 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.
- Criteria for supervisor and manager periodic reviews of the claim adjustors' work have been established, and such reviews are documented in the claim system.
- The Company reports all closed automobile bodily injury claims to the AIB Detail Claims Database, and reports required claims to the Merit Rating Board as required in Massachusetts.
- The claim system produces data for the monthly claims reporting of service and quality metrics such as claim aging, cycle time, closing ratios, litigated claims, survey responses and general claim trends.
- The Company has also established a claims quality assurance program, whereby randomly selected claims are reviewed and evaluated for adherence to Company policies and procedures using a detailed questionnaire. PRAC supervisors review a random selection of three open and closed claims per claims representative each month. Also, claims department directors review a random sample of the quality assurance files reviewed to evaluate the review process. PIC supervisors review a random selection of up to three open and closed claims per claim representative per month. PIC also completes open reserve reviews at least once per year. BHIC claims management perform semi-annual reserve audits of a random selection of files open over 60 days. Annually, in connection with performance reviews, BHIC supervisors review a sample of 10 claim files per claim representative. In addition to the quality assurance programs, PIC is subject to claim audits or reviews by carriers it provides services to, and BHIC is subject to claim reviews by its various reinsurers.
- The Company conducts post-claim payment surveys to first party claimants to obtain feedback on the claims process. Any negative comments from respondents are addressed, and the overall survey results are reported to management 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 and commercial automobile claims including 15 paid claims, five denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four denied or closed-without-payment claims, and nine 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.

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Transaction Testing Results:

Findings: None.

Observations: RNA noted each of the tested claims was processed 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.

Standard VII-2. Timely investigations are conducted.

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 and commercial automobile claims including 15 paid claims, five denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four denied or closed-without-payment claims, and nine 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:

Findings: None.

Observations: RNA noted each of the tested claims was timely reported and investigated according to the Company's policies and procedures. Based upon testing, it appears that the Company's processes for timely investigating claims are functioning in accordance with its policies, procedures, 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.

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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 and commercial claims including 15 paid claims, five denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four denied or closed-without-payment claims, and nine 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. Based upon testing, it appears that the Company's processes for timely resolving claims are functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

<u>Standard VII-4. The regulated entity responds to claim correspondence in a timely manner.</u>

Objective: The Standard addresses the timeliness of the Company's response to 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 processes, and obtained documentation supporting such processes. RNA selected private passenger and commercial automobile claims including 15 paid claims, five denied or closed-without-payment claims and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four denied or closed-without-payment claims and nine open claims for testing. RNA tested each selected claim noting whether the Company timely responded to claim correspondence.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that for each of the tested claims, the Company timely responded to claim correspondence. Based upon testing, it appears that the Company's processes for timely responding to claims correspondence are functioning in accordance with its policies, procedures and statutory requirements. The Company also addresses negative comments received on post-claim payment surveys, but the comments are not included on the Company's complaint logs.

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Recommendations: The Company should include any written negative comments received on post-claim payment surveys on the Company's complaint logs.

Standard VII-5. Claim files are adequately documented.

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

Controls Assessment: 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 and commercial automobile claims including 15 paid claims, five denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four denied or closed-without-payment claims, and nine 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 that for each of the tested claims, the Company's claim files adequately documented its claim handling, but for two claims, indicated proof-of-loss letters could not be located in the claim files. Such letters are required in accordance with Company policy for losses over \$5,000. Based upon testing, it appears that the Company's claim handling processes for documenting claim files are generally functioning in accordance with its policies and procedures.

Recommendations: The Company should adopt new controls and procedures and provide training on claim documentation requirements related to proof of loss letters for losses over \$5,000. The Company should test for such documentation when conducting quality assurance audits.

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

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Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger and commercial automobile claims including 15 paid claims, five denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four denied or closed-without-payment claims, and nine 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. Finally, RNA reviewed the Company's complaint log for complaints that were claim-related.

Transaction Testing Results:

Findings: Testing indicated that eight tested homeowners claims over \$1,000 were not properly and timely reported to local building and health authorities in accordance with M.G.L. c. 139, § 3B.

Observations: RNA noted each of the tested claims was handled according to the Company's policies and procedures, except as noted above. Based upon testing, it appears that the Company's processes for handling claims are generally functioning in accordance with its policies, procedures and statutory requirements. Finally, upon evaluation of 11 claims-related complaints, the related claims appeared to be properly handled.

Required Actions: The Company shall adopt new policies and control procedures to address the requirements of M.G.L. c. 139, § 3B and provide training or guidance to claims adjustors on proper and timely implementation of these policies and procedures. The new procedures shall be tested by internal audit or compliance to ensure that they are effectively implemented, with the results of the independent testing completed and reported to the Division by September 30, 2014.

Subsequent Actions: The Company states that it has adopted new procedures for compliance with M.G.L. c. 139, § 3B. The procedures have been communicated to the claims staff. Upon receipt of a first notice of loss for property damage that is expected to exceed \$1,000, the staff is to notify local municipal officials of the claim using the Company-designed letter template.

<u>Standard VII-7. Regulated entity claim forms are appropriate for the type of product.</u>

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 and commercial automobile claims including 15 paid claims, five denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four denied or closed-without-payment claims, and nine 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.

<u>Standard VII-8. Claim files are reserved in accordance with the regulated entity's established procedures.</u>
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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 and commercial automobile claims including 15 paid claims, five denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four denied or closed-without-payment claims, and nine 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.

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.

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

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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 denied or closed-without-payment claims including five private passenger and commercial automobile claims and four 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.

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

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

Controls Assessment: 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. 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 and commercial automobile claims including 15 paid claims, five denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four denied or closed-without-payment claims, and nine 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 and commercial automobile claims including 15 paid claims, five denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four

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denied or closed-without-payment claims, and nine 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 found two instances where reservation of rights or excess of loss letters were used. The use of these letters appeared appropriate. RNA noted no instances where reservation of rights or excess of loss letters should have been used, but were not. The Company's appears to have reasonable policies and procedures for the use of reservation of rights and excess of loss letters.

Recommendations: None.

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

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 private passenger and commercial automobile claims including 15 paid claims, five denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four denied or closed-without-payment claims, and nine 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 that deductible reimbursement to insureds, upon subrogation recoveries, for four tested claims was timely, accurate and processed according to the Company's policies and procedures. Based upon testing, it appears that the Company's processes for making deductible reimbursement to insureds upon subrogation recoveries are functioning in accordance with its policies and procedures.

Recommendations: None.

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

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 insurance industry.
- The Company reports homeowners loss data to ISO in the required format.
- The Company has processes to correct loss data coding errors and to make subsequent 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 and commercial automobile claims including 15 paid claims, five denied or closed-without-payment claims, and 10 open claims for testing. Also, RNA selected homeowners claims including 12 paid claims, four denied or closed-without-payment claims, and nine 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.

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SUMMARY

Based upon the procedures performed in this examination, RNA has reviewed and tested Company, Complaint Handling, Marketing and Sales, Policyholder Service, Underwriting and Rating, and Claims as set forth in the 2012 *NAIC Market Regulation Handbook*, 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 Company Operations/Management, Producer Licensing, Underwriting and Rating, and Claims.

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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.

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