



THE COMMONWEALTH OF MASSACHUSETTS

**OFFICE OF CONSUMER AFFAIRS AND BUSINESS
REGULATION**

Division of Insurance

Report on the Comprehensive Market Conduct Examination of

The Premier Insurance Company of Massachusetts

Westborough, Massachusetts

For the Period January 1, 2010 through December 31, 2010

NAIC COMPANY CODE: 12850

EMPLOYERS ID NUMBER: 04-31109569

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REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF
THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS



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

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November 21, 2011

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 Law, Chapter 1109, Section 4, a comprehensive examination has been made of the market conduct affairs of

The Premier Insurance Company of Massachusetts

at their home office located at :

One Research Drive
Westborough, MA 01581

The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Massachusetts Division (“Division”) conducted a comprehensive market conduct examination of The Premier Insurance Company of Massachusetts (“Premier” or “Company”) for the period January 1, 2010 through December 31, 2010. The examination was called pursuant to authority in Massachusetts General Laws Chapter 1109, Section 4. The current market conduct examination was conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. Representatives from the firm of Eide Bailly, LLP (“Eide”) were engaged to complete certain agreed-upon procedures.

EXAMINATION APPROACH

A tailored audit approach was developed to perform the examination of Premier using the guidance and standards of the *2010 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 management, control and general supervision of the examination staff of the Division, including procedures more efficiently addressed by the concurrent Division financial examination. For those objectives, examination staff discussed procedures performed by the Division’s financial examination staff to the extent deemed necessary, appropriate and effective, to ensure that the objective was adequately addressed. The following describes the procedures performed and the findings for the workplan steps thereon.

The business areas that were reviewed under this examination were as follows:

- I. Company Operations/Management
- II. Complaint Handling
- III. Marketing and Sales
- IV. Producer Licensing
- V. Policyholder Service
- VI. Underwriting and Rating
- VII. Claims

In addition to the processes and procedures guidance in the Handbook, the examination included an assessment of the Company’s internal control environment. While the Handbook approach detects individual incidents of deficiencies through transaction testing, the internal control assessment provides an understanding of the key controls that Company management uses to manage its business and to meet key business objectives, including complying with applicable laws and regulations related to market conduct activities.

The controls assessment process is comprised of three significant steps: (a) identifying controls; (b) determining if the control has been reasonably designed to accomplish its intended purpose in mitigating risk (i.e., a qualitative assessment of the controls); and (c) verifying that the control is functioning as intended (i.e., the actual testing of the controls). For areas in which controls reliance was established, sample sizes for transaction testing were accordingly adjusted. The form of this report is “Report by Test,” as described in Chapter 15, Section A of the Handbook.

EXECUTIVE SUMMARY

This summary of the examination of the Company is intended to provide a high-level overview of the examination results. The body of the report provides details of the scope of the examination, tests conducted, findings and observations, recommendations and required actions and, if applicable, subsequent Company actions. Managerial or supervisory personnel from each functional area of the Company should review report results relating to their specific area.

The Division considers a substantive issue as one in which corrective action on part of the Company is deemed advisable, or one in which a “finding,” or violation of Massachusetts insurance laws, regulations or bulletins was found to have occurred. It also is recommended that Company management evaluate any substantive issues or “findings” for applicability to potential occurrence in other jurisdictions. When applicable, corrective action should be taken for all jurisdictions, and a report of any such corrective action(s) taken shall be provided to the Division.

The following is a summary of all substantive issues found, along with related recommendations and required actions and, if applicable, subsequent Company actions made, as part of the examination of the Company. All Massachusetts laws, regulations and bulletins cited in this report may be viewed on the Division’s website at www.mass.gov/doi.

SECTION II – COMPLAINT HANDLING

Standard II-3

Findings: The Company received a dual complaint, with multiple issues, in which one of the complaints therein did not receive a response by the Company.

Observations: Other than the item noted above, Eide noted that the Company responded to the issues raised in each of the complaints tested in a complete manner through its formal complaint process. The Company further appears to treat complainants with similar fact patterns in a consistent manner, and adequately documents its complaint files.

Required Action: The Company shall take adequate steps to ensure compliance with finalizing and disposing of complaints is in accordance with applicable statutes, rules and regulations and contract language.

Standard II-4

Findings: There were two complaints that did not meet the 14 day response time required by the Division as one response date exceeded that timeframe and the other complaint was not responded to. In both cases, the Company did not request an extension from the Division.

Observations: Other than the items noted above, Eide noted that the Company responded to the issues raised in each of the complaints tested in a complete manner through its formal complaint process. The Company further appears to treat complainants with similar fact patterns in a consistent manner, and adequately documents its complaint files.

Required Action: The Company shall take adequate steps to ensure compliance with the timeframe in which it responds to complaints is in accordance with applicable statutes, rules and regulations and contract language. Additionally the Company should request an extension from the Department if circumstances do not permit the 14 day response time to be met.

SECTION III – MARKETING AND SALES

Standard III-1

Findings: None.

Observations: Five marketing items were not approved by the Legal Department prior to use.

Subsequent Events: The Legal Department has reviewed and approved the five materials requiring no changes to be made.

Recommendations: Due to the limited number of marketing materials used by the company the Eide recommends the Legal Department review all marketing materials prior to being distributed for marketing purposes.

SECTION IV – PRODUCER LICENSING

Standard IV-3

Findings: None.

Observations: Based upon testing, the termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable and the reasons for termination are adequately documented. While performing this testing, Eide noted that one of the terminated producers, who was properly appointed, didn't have a signed contract in effect.

Recommendations: Eide recommends that the Company obtain signed contracts in conjunction with the appointment of producers.

SECTION V – POLICYHOLDER SERVICE

Standard V-2

Findings: One of the voluntary cancellations tested indicated the cancellation and corresponding return of premium were not processed and returned with the required timeframe.

Observations: Other than the item noted above, the insured-requested cancellations appeared to be processed accurately and timely.

Recommendations: Eide recommends the Company ensure insured requested cancellations and associated premium refunds are processed timely to comply with applicable statutes, regulations, and bulletins.

Standard V-3

Findings: An insured contacted the Company via telephone who was unable to receive an answer at the time of the call. The phone call was never returned by the Company.

Observations: Other than the item noted above, it appears that policies and procedures are in place to ensure that all correspondence directed to the Company is responded to timely and appropriately.

Recommendations: Eide recommends that the Company reiterate to company personnel the policies and procedures in place and the importance of ensuring that all correspondence directed to the Company is answered in a timely and responsive manner by the appropriate department.

Standard V-7

Findings: One of the voluntary cancellations tested indicated the cancellation and corresponding return of premium were not processed and returned with the required timeframe.

Observations: Other than the item noted above, the premium refunds appeared to be processed accurately and timely.

Recommendations: Eide recommends the Company ensure insured requested cancellations and associated premium refunds are processed timely to comply with applicable statutes, regulations, and bulletins.

SECTION VI – UNDERWRITING & RATING

Standard VI-8 and Standard VI-24

Findings: The Company repeatedly notified the RMV less than 45 days in advance of non-renewed policies.

Observations: Other than the systemic item noted above, the Company's notices comply with applicable policy provisions, state laws, and regulated entity guidelines.

Required Actions: The Company shall report non-renewal information to the RMV within the required timeframe.

Subsequent Actions: Company Response: The Company has developed, submitted and approved a project to increase notice provided by the Company's third-party administrator to the RMV and the third-party administrator will be scheduling the necessary system work to provide the appropriate notice to the RMV in the near future.

Standard VI-20

Findings: Two of the sampled policies that should have received a pre-insurance inspection did not have one performed.

Observations: With the exception of the items above and based on our testing, it appears that the Company verifies VIN numbers in a manner consistent with statutory and regulatory requirements.

Recommendations: Company should perform pre-insurance inspections when applicable to ensure compliance applicable statutes, regulations and bulletins.

Standard VI-26

Findings: One of the policies tested did not contain documentation to support a roadside assistance discount given to the policyholder.

Observations: Other than the item above, based on testing, application or enrollment forms appear to be properly, accurately and fully completed, including any required signatures, and file documentation adequately supports decisions made.

Recommendations: The Company should ensure that its' agents present all required documentation to the Company before business is processed, and that the Company retains such documentation to support its business decisions.

SECTION VII – CLAIMS

Standard VII-1

Findings: One of the claimants did not receive contact from the company until three business days after the notice of loss and as a result the initial contact was untimely.

Observations: With the exception of the above, it appears that the Company's processes for providing timely responses to claims correspondence are functioning in accordance with their policies and procedures, and are reasonably timely.

Recommendations: Reiterate to claims handling personnel the importance of following company procedures regarding timeliness of initial contact procedures with claimants to ensure compliance with applicable statutes, regulations and bulletins.

Standard VII-4

Findings: An insured contacted the Company via telephone who was unable to receive an answer at the time of the call. The phone call was never returned by the Company.

Observations: With the exception of the above item,, based on our testing, it appears that the Company responds to claims correspondence in a timely manner in accordance with applicable statutes, regulations and bulletins.

Recommendations: The Company should respond promptly to inquiries and other correspondence to ensure compliance with applicable statutes, regulations and bulletins.

Standard VII-6

Findings: None.

Observations: Even though Eide noted that one supplemental appraisal took longer than the required timeframe of three business days to complete from the receipt of the request, there is no finding. This untimely supplemental appraisal occurred during the CAT 96 storms which included the State of Massachusetts and therefore produced a hardship on the Company and its appraisers to complete the appraisal within the required timeframe. Based on our testing for the remaining items, it appears that the Company properly handles claims in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.

Recommendations: None.

COMPANY BACKGROUND

The Premier Insurance Company of Massachusetts is an indirect wholly-owned subsidiary of The Travelers Companies, Inc. specializing in writing personal auto coverages in the Commonwealth of Massachusetts. The product is marketed via the brand name Travelers of Massachusetts and is distributed through independent agents.

In 1993, Premier replaced the former Travelers Massachusetts personal lines operating division as Travelers' exclusive writer of personal lines policies in the Massachusetts marketplace.

With Travelers' acquisition of the Aetna companies in 1996, Premier assumed the Massachusetts property business written by Aetna on a new and renewal basis. Until 2004, the Company's book of business remained primarily private passenger automobile business, which, in 2003 represented approximately 82% of its total net premium volume. The balance of the company's net writings was Massachusetts' personal lines property business (the vast majority of which is homeowners' insurance), which it assumed from its parent, Travelers Indemnity Company, via quota share reinsurance.

Effective January 1, 2004, however, the Company became solely a private passenger auto insurer in Massachusetts as a result of terminating its property quota share reinsurance agreement with TIC. This decision followed an evaluation of the prospective overall profitability of its property business, which included an evaluation of the risks it posed in terms of exposure to catastrophe losses and winter storms, and the costs of reinsurance to limit net losses from these events. Premier continues to manage this property business for TIC. The examination will focus solely on private passenger automobile coverages since Premier only writes PPA as of January 1, 2004.

Prior to April 1, 2009, under Massachusetts law, the Company was obligated to write all of the business written through Exclusive Representative Producers assigned to the Company. Premier was then permitted to cede risks to Commonwealth Automobile Reinsurers ("CAR") that did not meet its underwriting criteria and, in return, received a ceding commission. Based on a participation formula, the Company assumed its share of involuntary private passenger auto premiums and losses from CAR.

Effective April 1, 2009, the Company ceased functioning as a service carrier for the Commonwealth Automobile Reinsurer residual market program in the Commonwealth of Massachusetts. The Massachusetts auto market has become more saturated as it became a competitive rating market and a traditional residual assigned risk market for high risk insureds.

During the time frame from 2006-2010, the Company has had favorable operating results and continues to have a strong risk-adjusted capital position. However with the evolving Massachusetts auto market and increased carriers of auto insurance as well as other contributing factors such as lower premium rates and higher expenses, the Company has experienced declining underwriting results, with underwriting losses reported for 2009 and 2010.

The Company is rated A (Excellent) by AM Best Company and ratings were stable over the examination period.

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.

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-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.

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 key controls were noted in conjunction with the review of this Standard:

- The Company has a written antifraud plan.
- The Company has a Special Investigation Unit ("SIU") dedicated to the prevention and handling of fraudulent activities.
- The SIU holds periodic meetings with representatives from various departments at the Company including claims, compliance, internal audit, underwriting, sales and customer service.
- The SIU tracks and investigates potentially fraudulent activity with the assistance of other departments when required by statute. Such activity is reported to the regulators as necessary.
- The SIU works with the Massachusetts Insurance Fraud Bureau to investigate and properly handle possible fraud.
- The Company's claims and underwriting personnel take part in ongoing continuing education, focused on identification and proper treatment of suspected fraudulent activity.
- The Company performs criminal background checks for all new employees.
- The Company requires all employees to annually complete conflict of interest forms, which specifically states that the employee has not been convicted of a felony and is compliant with 18 U.S.C. § 1033.
- The Company has an ethics hotline to address any issue that may arise during the course of the work of their employees which is accessible at any time via the Internet or via a toll-free number.

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: Eide interviewed individuals with responsibility for ensuring that the Company has antifraud initiatives in place and reviewed supporting documentation to support that those procedures are in place and are reasonable.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, it appears that the Company has antifraud initiatives in place that are reasonably calculated to detect, prosecute, and prevent fraudulent insurance acts.

Recommendations: None.

<u>Standard I-4. The regulated entity has a valid disaster recovery plan.</u>
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No work performed. All required activity for this Standard is included in the scope of the ongoing statutory financial examination of the Company.

<u>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.</u>

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:

- Contracts of significant size where third party providers and/or those assuming a business function on behalf of the Company, include some or all of the following provisions:
 - Regularly scheduled status meetings to review changes and open discrepancies
 - Regularly scheduled meetings between executives of the Company and the vendor
 - Service level standards with recourse (i.e. penalties)
 - Annual review of the SAS 70 report

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

Transaction Testing Procedure: Eide performed interviews to understand the Company's use of third parties to perform Company functions, and the applicable monitoring procedures conducted. Further, Eide reviewed the supporting contracts, applicable SAS 70 reports and other monitoring documentation.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

Objective: This Standard addresses the Company's efforts to 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: Eide performed interviews to understand the Company's use of third parties to perform Company functions, and the applicable monitoring procedures conducted. Further, Eide reviewed the supporting contracts, applicable SAS 70 reports and other monitoring documentation.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, it appears that the Company is generally monitoring the activities of third parties and affiliated entities assuming a business function on the Company's behalf, in compliance with statutory and regulatory requirements.

Recommendations: None.

Standard I-7. Records are adequate, accessible, consistent and orderly and comply with state 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 Company's home office record retention policies are described for each Standard, as applicable. In addition:

- Company policy is to conduct at a minimum an annual review of its documents and purges any documents that have reached expiration with the exception of those documents subject to litigation or hold orders.
- Company policy requires that its producers keep complete records and accounts of all insurance transactions.

- The Company's standard producer contract requires the producer to keep insurance records and accounts current and identifiable.
- The Company's standard producer contract includes the Company's right to examine producers' accounts and records of all insurance transactions for as long as the Company deems reasonable, including a reasonable time after the termination of a producer contract.

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: Eide inquired about the Company's record retention policies and evaluated them for reasonableness. Eide performed various procedures throughout this examination which related to review of documentation and record retention.

Transaction Testing Results: Such testing results are noted in the various examination areas and observations and /or findings if any, are noted in the Executive Summary along with the applicable standard.

Recommendations: Such recommendations are noted in the various examination areas and include observations and/or findings if any, noted in the Executive Summary.

Standard I-8. The company 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: The following key controls were noted in conjunction with the review of this Standard:

- The Company operates within the lines of business approved under its existing Certificate of Authority.

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: Eide reviewed the Company's Certificate of Authority, and compared it to the lines of business it writes in the Commonwealth.

Transaction Testing Results:

Findings: None.

Observations: The Company operates within the lines of business approved under its existing Certificate of Authority.

Recommendations: None.

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

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

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

Controls Reliance: Not applicable.

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

Transaction Testing Results:

Findings: None.

Observations: The Company's level of cooperation and responsiveness to examiner requests was acceptable.

Recommendations: None.

Standard I-10. The regulated entity has procedures for the collection, use and disclosure of information gathered in connection with insurance transactions so as 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 key controls were noted in conjunction with the review of this Standard and Standards I-11 through I-17:

- Company policy is to disclose information only as required or permitted by law to industry regulators, law enforcement agencies, anti-fraud organizations, and third parties who assist the Company in processing business transactions for its policyholders.
- Company policy requires that a consumer privacy notice be provided to policyholders at the time an application is taken. Also, annual disclosure notices are provided to policyholders via standard mail.
- The Company stated that it has developed and implemented information technology security practices to safeguard customer, personal and health information.
- The Company stated that it does not sell personal information to third parties.
- The Company has written policies and procedures in place for security of nonpublic policyholder and consumer information.
- The Company's internal audit function has conducted reviews of privacy policies and procedures.

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: The examiners interviewed Company personnel with responsibility for policyholder services, and reviewed its privacy notice.

Transaction Testing Results:

Findings: None.

Observations: Based upon our review of the Company's privacy notice, it appears that the Company's privacy policy minimizes any improper intrusion into the privacy of applicants and policyholders, and is disclosed to policyholders in accordance with their policies and procedures.

Recommendations: None.

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

The objective of this Standard relates to privacy matters included in this section.

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: Eide interviewed Company personnel with responsibility for privacy compliance and reviewed its privacy notice. As part of underwriting and claims testing, Eide reviewed for any evidence that the Company improperly provided personal information to inappropriate parties.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, it appears that the Company's policies and procedures adequately protect the privacy of nonpublic personal information relating to its customers, former customers and consumers that are not customers.

Recommendations: None.

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

Objective: This Standard is concerned with the Company's policies and procedures to ensure it maintains privacy of consumer 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: Eide interviewed Company personnel with responsibility for privacy compliance and reviewed its privacy notice. As part of underwriting and claims testing, Eide reviewed for any evidence that the Company improperly provided personal information to inappropriate parties.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, it appears that the Company provides privacy notices to its customers regarding treatment of nonpublic personal information and the Company's policies and procedures adequately protect the privacy of nonpublic personal information relating to its customers, former customers and consumers that are not customers.

Recommendations: None.

Standard I-14. If the regulated entity discloses information subject to an opt out right, the regulated entity 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 regulated entity provides opt out notices to its customers and other affected consumers.

Objective: This Standard is concerned with the Company's policies and procedures to ensure it maintains privacy of consumer 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: Eide interviewed Company personnel with responsibility for policyholder services, and reviewed its privacy notice. As part of underwriting and claims testing, Eide reviewed for any evidence that the Company improperly provided personal information to inappropriate parties.

Transaction Testing Results:

Findings: None.

Observations: It appears from our review of the Company's privacy notice, and discussion with Company personnel, that the Company provides consumer information to business partners or other third parties only to help provide essential services to the consumer, and therefore is not required to provide an opt out option.

Recommendations: None.

Standard I-15. The company'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 policies and procedures to ensure it maintains privacy of consumer 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: Eide interviewed Company personnel with responsibility for privacy compliance and reviewed its privacy notice. As part of underwriting and claims testing, Eide reviewed for any evidence that the Company improperly provided personal information to inappropriate parties.

Transaction Testing Results:

Findings: None.

Observations: Based upon our review of the Company's privacy notice, and discussion with Company personnel, it appears that the Company's privacy policies and procedures are adequate to protect 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: Eide interviewed Company personnel with responsibility for privacy compliance and reviewed its privacy notice. As part of underwriting and claims testing, Eide reviewed for any evidence that the Company improperly provided personal information to inappropriate parties.

Transaction Testing Results:

Findings: None.

Observations: It appears from our review of the Company's privacy notice, and discussion with Company personnel, that the Company's privacy policies and procedures are adequate to protect nonpublic personal health information.

Recommendations: None.

Standard I-17. Each licensee shall implement a comprehensive written information security program for the protection of nonpublic policyholder 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 Company stated that it has developed and implemented information technology security practices to safeguard customer, personal and health information.
- The Company has a written information security and privacy policy.
- The Company stated that it does not sell personal information to third parties.
- Company policy is to disclose information only as required or permitted by law to industry regulators, law enforcement agencies, anti-fraud organizations, and third parties who assist the Company in processing business transactions for its policyholders.
- The Company has a website and a phone number for reporting any instances of non-compliance.
- Periodically, Corporate Audit will review the information security practices and procedures for compliance with the privacy policy.

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: Eide interviewed Company personnel with responsibility for privacy compliance and reviewed its privacy notice and written information security and privacy policy. As part of underwriting and claims testing, Eide reviewed for any evidence that the Company improperly provided personal information to inappropriate parties. Review of the information technology access and authorization controls is also included in the scope of the ongoing financial examination of the Company.

Transaction Testing Results:

Findings: None.

Observations: It appears from our review of the Company's privacy notice and written information security and privacy policy that it has adequate and properly documented policies and procedures for the protection of nonpublic policyholder and consumer information.

Recommendations: None.

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

Objective: This Standard is concerned with the Company's policies and procedures for submission of data to the department of insurance. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The Company has formal procedures in place for data required to be submitted to the department for personal lines data, producer licensing information, rate filings, and any other information requested on behalf of the department.

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

Transaction Testing Procedure: Eide performed various procedures throughout this examination which related to review of documentation that it was complete and accurate.

Transaction Testing Results: Such testing results are noted in the various examination areas and observations and /or findings if any, are noted in the Executive Summary along with the applicable standard.

Recommendations: Such recommendations are noted in the various examination areas and include observations and/or findings if any, noted in the Executive Summary.

II. COMPLAINT HANDLING

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

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

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

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company has written policies and procedures governing the complaint handling process.
- The Company records all complaints in a consistent format in the complaint log.
- The Company's definition of a complaint is any communication from a consumer that criticizes the company and/or any action or decision by the Company.
- All consumer complaints, regardless of delivery method, are logged in the General Counsel's Office and are forwarded to the appropriate person(s) for timely response.
- The Company's Hartford Office receives all complaints from the Division and forwards them to the Company's General Counsel's Office for logging and appropriate handling.
- The Company collects quarterly complaint activity and trends the data and reports to the responsible managers for new trending results including the percentage of claim and underwriting results that changed as a result of the complaints received that quarter.
- For Assigned Risk Company (ARC) complaints, those complaints filed by an assigned risk producer against an assigned risk company, ARC Performance Standards provide 20 calendar days for a response time and Company policy is to respond within the 20 day timeframe.

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: Eide obtained complete complaint lists from the Company and the Division for the examination period and with the assistance of the Company and the Division was able to reconcile the lists to agree for Division reported complaints. Eide selected to review all of the Division reported complaints which amounted to 18 relating to the exam year and judgmentally selected 9 internal complaints from the Company's complaint log. Each of the 27 complaints selected was reviewed to ensure that they were logged and handled appropriately.

Review of the complaint log indicated the following:

Type of Complaint	Number of Complaints	Percent of Total
Claim Handling	40	47%
Underwriting	11	13%
Policyholder Service	35	40%
Total	86	100%

Based on these findings and our planning risk assessment, Eide performed detail testing on claim handling and underwriting as outlined later in this report.

Transaction Testing Results:

Findings: None.

Observations: From review of the complaint log the Company appears to maintain a complete listing of complaints and includes all the statutorily required database elements.

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: Eide reviewed a complete list of the Massachusetts complaint files from both the Company and the Division for the examination period to evaluate this Standard, and to ensure that the Company performs root cause analysis. Eide also interviewed management and staff responsible for complaint handling, and examined evidence of the Company's complaint handling processes and controls. A sampling of forms and billing notices was reviewed to determine whether the Company provides contact information for consumer inquiries.

Transaction Testing Results:

Findings: None.

Observations: The Company appears to have adequate complaint procedures in place, and communicates such procedures to policyholders.

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 response to the complaint fully addresses the issues raised.

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: Eide selected to review all of the Division reported complaints which amounted to 18 relating to the exam year and judgmentally selected 9 internal complaints from the Company's compliant log. Each of the complaints 27 selected was reviewed to ensure that they were logged and handled appropriately.

Transaction Testing Results:

Findings: The Company received a complaint, with multiple issues, in which one of the complaints therein did not receive a response by the Company.

Observations: Other than the item noted above, Eide noted that the Company responded to the issues raised in each of the complaints tested in a complete manner through its' formal complaint process. The Company further appears to treat complainants with similar fact patterns in a consistent manner, and adequately documents its complaint files.

Required Action: The Company shall take adequate steps to ensure compliance with finalizing and disposing of complaints is in accordance with applicable statutes, rules and regulations and contract language.

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 is concerned with 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: Eide reviewed the complete claim log from the Company to evaluate this standard. In addition, Eide reviewed those complaints selected to test in detail to determine the reason for delay for any which exceeded the 14 day response time required by the Division and the 20 day response time for ARC Performance Standards.

Transaction Testing Results:

Findings: There were two complaints that did not meet the 14 day response time required by the Division as one response date exceeded that timeframe and the other complaint was not responded to. In both cases, the Company did not request an extension from the Division.

Observations: Other than the items noted above, Eide noted that the Company responded to the issues raised in each of the complaints tested in a complete manner through its formal complaint process. The Company further appears to treat complainants with similar fact patterns in a consistent manner, and adequately documents its complaint files.

Required Action: The Company shall take adequate steps to ensure compliance with the timeframe in which it responds to complaints is in accordance with applicable statutes, rules and regulations and contract language. Additionally the Company should request an extension from the Department if circumstances do not permit the 14 day response time to be met.

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 of all its advertisements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company has written policies and procedures to govern the advertising and sales material approval process.
- The Company's marketing materials consist of brochures, magnets, etc. to be distributed by authorized independent agents. The Company does not utilize marketing in a material fashion, but instead relies upon producers to market the Company's business through the independent producer relationship.
- All advertising and sales materials produced by the Company are reviewed by the Company's Legal Department for approval and compliance with statutory and regulatory requirements prior to use.
- All advertising and sales materials produced by the Company's independent producers must be reviewed and authorized by the Company's Legal Department prior to use.
- All approved materials are assigned a document approval number that must be displayed on the marketing material.
- The Company has a website designed for use by consumers and producers and it discloses its history and facts such as contact and individual policy information.

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

Transaction Testing Procedure: Eide reviewed direct advertising and sales materials produced by the Company for compliance with statutory and regulatory requirements. Eide also reviewed the Company's website for appropriate disclosure of its name and address, and compliance with statutory and regulatory requirements.

Transaction Testing Results:

Findings: None.

Observations: Five marketing items were not approved by the Legal Department prior to use.

Recommendations: Due to the limited number of marketing materials used by the company the Eide recommends the Legal Department review all marketing materials prior to being distributed for marketing purposes.

Subsequent Action: The Legal Department has reviewed and approved the five materials requiring no changes to be made.

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 all of the Company's producer training materials are in compliance with the Commonwealth's statutes, rules and regulations. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's sales force is mainly independent agents as they account for over 99% of the Company's new business production and total written premium
- The Company uses its website to immediately communicate product changes, as well as changes in statutes or regulatory interpretations, to its appointed independent producers.
- Training occurs in a variety of ways through sessions online, at agent's offices, branch offices of the Company, and occasionally at off-site locations when logistics dictate.
- Training sessions cover Company software, product lines, record retention requirements, policy input, agency and customer service representative best practices, and automation training.
- The Company distributes a monthly publication to agencies discussing a wide variety of product and policies issues which include compliance issues.

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: Eide performed no transaction testing beyond inquiry and observation.

Transaction Testing Results: None.

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.

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

- The Company uses its website to immediately communicate product changes, as well as changes in statutes or regulatory interpretations, to its appointed independent producers.
- The Company will also use face-to-face meetings, webcasts, emails, group agent meetings, and occasionally mail services to communicate with their producers.

- The Company's sales force is mainly independent agents as they account for over 99% of the Company's new business production and total written premium.

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: Eide conducted interviews with key Company personnel to determine what types of communications with producers generally occur, and reviewed examples of communications that occurred during the examination period.

Transaction Testing Results:

Findings: None.

Observations: The Company's communications to producers appear to be accurate and reasonable.

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 the Company's mass marketing efforts are in compliance with applicable statutes, rules and regulations. See Appendix A for applicable statutes, regulations and bulletins

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- Written Company underwriting guidelines are designed to reasonably assure consistency in application of premium discounts and surcharges.
- The Company's policy is to file all affinity discounts with the Division.
- The Company does not actively market to obtain group policies.
- Agents submit a group policy application to the Company for approval prior to issuance of a group policy.
- An agent's approved group policy is filed with the Division prior to being issued by the Company.

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

Transaction Testing Procedure: Eide interviewed Company personnel with responsibility for the marketing and underwriting processes. As part of the underwriting testing three of the policies randomly selected contained group discounts. Eide verified that the discount for each of the policies underwritten as a group policy was properly applied and is approved by the Division.

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Transaction Testing Results:

Findings: None.

Observations: Based on the results of from our underwriting testing of group policies issued or renewed during the examination period, it appears that each of the premium discounts was properly applied.

Recommendations: None.

IV. PRODUCER LICENSING

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

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

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

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company has a centralized licensing department charged with ensuring that all producers are licensed and appointed.
- The agency manager is responsible for notifying the Company's central licensing unit of any change in agency personnel using the required protocol.
- Notification to the central licensing unit of a change to a producer's name or address is not required.
- The Company notifies the Division of producer terminations on an as needed basis through the Division's Online Producer Appointment website, ("OPRA") and will send a copy of the termination letter to the Commissioner when appropriate.
- When a producer is appointed or terminated, the required information is entered into the Company's licensing database. A member of the Company's central licensing unit will analyze the information for completeness and accuracy. Upon verification that the producer has an active license, the analyst will use OPRA to notify the Division of the producer's appointment.
- The Company's appointment procedures are designed to ensure that a producer be appointed by the Company within 15 days from the earlier of the date their contract is executed, or from the date the first coverage application is submitted.
- The Company conducts interface audits designed to ensure that their agents are adhering to underwriting guidelines and documentation requirements on a regular basis and share the results and recommendations with the agents.
- The Company reconciles their list of licensed and appointed producers with the Division's list on a monthly basis usually during the second or third week of the month and creates follow-up action plans to resolve any discrepancies.

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, with the exceptions noted below.

Transaction Testing Procedure: Eide interviewed individuals with responsibility for producer contracting and processing of appointments. Eide selected a sample of 109 sales during the examination period for testing in conjunction with underwriting testing and verified that the producer for each sale was included on the Division's list of the Company's appointed producers as well as the Company's list of appointed producers. Eide further obtained an example of the Company's reconciliation process of agreeing the Company's licensed and appointed producers with the Division's records.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, the Company's licensed and appointed producers agree with the Division's records and are properly licensed and appointed.

Recommendations: None.

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

See Standard IV-1 for testing of this Standard. 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 producers in accordance with applicable statutes requiring notification to the state and the producer. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company has a centralized licensing department charged with ensuring that all producers are licensed and appointed.
- The agency manager is responsible for notifying the Company's central licensing unit of any change in agency personnel using the required protocol.
- Notification to the central licensing unit of a producer's name or address change is not required.
- The Company will notify the producer verbally of intentions to terminate and will send a formal letter advising them of their termination.
- The Company notifies the Division of producer terminations on an as needed basis through the Division's OPRA and will send a copy of the termination letter to the Commissioner when appropriate.

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

Transaction Testing Procedure: Eide requested and examined documentation of the Company's reporting of all producer terminations from the examination period.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable, and the reasons for termination are adequately documented. While performing this testing, Eide noted that one of the terminated producers, who was properly appointed, didn't have a signed contract in effect.

Recommendations: Eide recommends that the Company obtain signed contracts in conjunction with the appointment of producers.

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: Eide selected a sample of 109 sales during the examination period for testing in conjunction with underwriting testing and Eide reviewed documentation for evidence of unfair discrimination against policyholders resulting from the Company's policies regarding producer appointments and terminations.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, no evidence of unfair discrimination against policyholders resulting from the Company's policies regarding producer appointments and terminations.

Recommendations: None.

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

See Standard IV-3 for testing of this Standard. See Appendix A for applicable statutes, regulations and bulletins.

Standard IV-6. Producer accounts current (account balances) are in accordance with the producer's contract with the insurer.

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

V. POLICYHOLDER SERVICE

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

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

Objective: This Standard 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 key controls were noted in conjunction with the review of this Standard:

- The Company offers their customers the option of paying their entire automobile premium at the inception of their policy, or utilizing a monthly payment plan. The amount of the deposit required for the monthly payment plan correlates to the customer's payment history, with the remaining unpaid premium billed in equal installments over the life of the policy.
- The Company offers a wide variety of payment methods for the convenience of their customers, including payroll deduction, electronic funds transfer, and credit card payment.
- The Company's billing notices are generated automatically through a third party administrator in a billing file which is forwarded to their outsourced fulfillment vendor to produce and mail.
- Company policy is to bill monthly by sending policyholders invoices every 30 days and payment is due 20 days after the bill is issued.
- Company policy is to send renewal packages 45-60 days prior to the renewal effective date.

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: Eide interviewed Company personnel with responsibility for policyholder service. In conjunction with the underwriting and rating testing, Eide reviewed billing notice dates, and fees and interest charges for 109 policies issued or renewed during the examination period. For each policy, Eide reviewed the renewal notice and judgmentally selected a monthly invoice to compare the applicable dates.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, 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 cancellation procedures to ensure that such policyholder 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:

- Company policy is to cancel a policy upon notification from the broker of the policyholder's request, and to process premium refunds in a timely manner.
- All unearned premium is refunded to the policyholder pursuant to statutory and regulatory guidelines.
- If the cancellation is due to insured's request and the policy has been in effect more than 30 days then the return premium is calculated on a short-rate basis unless the insured has another policy in effect with the company.
- If the cancellation is due to company request the return premium is calculated on a pro-rata basis.
- The Company maintains a spreadsheet to track insured requested cancellations documenting pertinent information such as the policyholder, address, vehicles on the policy, policy number, cancellation effective date, date 2A form received, Premier's producer, new producer, and new insurance company.

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

Transaction Testing Procedure: Eide interviewed Company personnel with responsibility for policyholder service. In conjunction with the underwriting and rating testing, Eide noted several insured requested cancellations during the examination period and tested to ensure that the insured requested cancellation requests were processed accurately and timely. For each policy, Eide obtained and reviewed the insured cancellation tracking spreadsheet.

Transaction Testing Results:

Findings: One of the voluntary cancellations tested indicated the cancellation and corresponding return of premium were not processed and returned with the required timeframe.

Observations: Other than the item noted above, the insured-requested cancellations appeared to be processed accurately and timely.

Recommendations: Eide recommends the Company ensure insured requested cancellations and associated premium refunds are processed timely to comply with applicable statutes, regulations, and bulletins.

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 is concerned with whether the Company provides timely and responsive information to policyholders and claimants from the appropriate department.

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company has a variety of ways in which an insured may contact them.
- Issues that require additional review are handled separately from those that require standard responses. A “standard” response includes when the policyholder inquires about policy effective dates, status of their claim check, and other general information. Issues that could require additional review include when a policyholder disputes the amount of a claim payment after it has been adjusted, or has a formal complaint about the Company’s actions related to any area from sales and underwriting, to processing a claim.
- The Company’s policy is to contact an insured within 24 hours of receiving an inquiry.

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: Eide discussed correspondence procedures with Company personnel, and reviewed actual correspondence between policyholders and the Company, in conjunction with complaint handling, underwriting and rating, policyholder service and claims standards.

Transaction Testing Results:

Findings: An insured contacted the Company via telephone who was unable to receive an answer at the time of the call. The phone call was never returned by the Company.

Observations: Other than the item noted above, it appears that policies and procedures are in place to ensure that all correspondence directed to the Company is responded to timely and appropriately.

Recommendations: Eide recommends that the Company reiterate to company personnel the policies and procedures in place and the importance of ensuring that all correspondence directed to the regulated entity is answered in a timely and responsive manner by the appropriate department.

Standard V-4. Whenever the regulated entity transfers the obligations of its contracts to another company 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 did not enter into assumption reinsurance agreements during the examination period.

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 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 policy holders 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 key controls were noted in conjunction with the review of this Standard:

- The Company follows the Traveler's unclaimed property process which utilizes an automated system where checks that have been outstanding for a specified period are referred for handling in accordance with state law.

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: Eide discussed with Company personnel the Company's procedures for locating missing policyholders and claimants, and for escheating funds, and reviewed supporting documentation.

Transaction Testing Results:

Findings: None.

Observations: Based upon review, the Company appears to have processes for locating missing policyholders and claimants, and appears to make efforts to locate such individuals.

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: Eide interviewed Company personnel with responsibility for the underwriting process. Eide selected a sample of 109 policies issued or renewed during the examination period for underwriting and rating testing. Within the sample there were both voluntary and Company initiated cancellations and Eide tested to ensure there was proper refund calculation and that they were returned timely.

Transaction Testing Results:

Findings: One of the voluntary cancellations tested indicated the cancellation and corresponding return of premium were not processed and returned with the required timeframe.

Observations: Other than the item noted above, the premium refunds appeared to be processed accurately and timely.

Recommendations: Eide recommends the Company ensure insured requested cancellations and associated premium refunds are processed timely to comply with applicable statutes, regulations, and bulletins.

<u>Standard V-8.</u> Claims history and loss information is provided to the insured in a timely manner.
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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 key controls were noted in conjunction with the review of this Standard:

- The insured's loss history is readily accessible in the software used by the Company.
- Claim examiners contact the insured the same day as receiving the assignment.
- Claims are normally settled and paid within 60 days of being filed. Exceptions to this timeframe typically only exist when there are questions regarding liability or substantial losses, (such as losing an entire house or major medical issues), whose total costs are not necessarily known within 60 days of a claim being filed.
- The Company provides claim history and paid loss information directly to policyholders 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: Eide reviewed 109 claims and 109 underwriting files during the examination period, to determine whether the Company timely and properly responded to insured requests for claims history and loss information.

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Transaction Testing Results:

Findings: None.

Observations: Based on the results of testing, the Company timely responded to policyholder and claimant inquiries regarding claims history and loss information.

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 key controls were noted in conjunction with the review of this Standard and Standard VI-10:

- The Company has written underwriting policies and procedures which are designed to reasonably assure consistency in classification and rating.
- The Company uses the rates and factors set forth in its Massachusetts Private Passenger Automobile Insurance Manual Rules when underwriting automobile policies in Massachusetts.
- The Company files proposed rate changes with the Division based on rate need.
- The Company offers affinity group discounts.
- The Company recognizes and utilizes the Safe Driver Insurance Plan ("SDIP").
- The Company has set discounts for motor vehicle safety features and anti-theft devices consistent with statutory requirements.
- The Company reviews approximately 1% of the new business processed by agents each year.
- Quality Assurance also manually rates and codes 20 automobile items monthly to ensure their systems are rating and coding appropriately by selecting 10 new business and 10 cancellations with results included in a monthly report to the Business Center Director and also are reported to the Market Conduct Committee.

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: Eide interviewed the Company's underwriting personnel to gain an understanding of the underwriting process. Eide selected a sample of 109 automobile policies issued or renewed during the examination period for testing of rates, classifications and premium discounts. Eide verified that each policy's premium discounts and surcharges for multiple coverages complied with statutory and regulatory requirements, and had documentation to support the discounts and surcharges given. Eide also reviewed the underwriting file to ensure that sufficient underwriting information was available at the time the underwriting decision was made.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, the Company appears to properly calculate premiums, discounts, and surcharges in compliance with its policies procedures, and statutory requirements.

Recommendations: None.

Standard VI-2. All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations.
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Objective: This Standard addresses whether all mandated disclosures for rates and coverages are timely provided to insureds in accordance with statutes and regulations. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company has written policies and procedures for processing new and renewal business.
- If information or forms are missing from new business or renewal applications, the Company sends a letter to the producer requesting the missing information, along with an updated listing of the information required to complete all applications.
- The Company's supervisory procedures are designed to ensure that new business submissions from producers are accurate and complete, including use of all Company required forms and instructions.
- Company policy is to provide the information guide to policyholders upon policy issuance.

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: Eide interviewed Company personnel with responsibility for the underwriting process, and reviewed the information guides utilized for new business.

Transaction Testing Results:

Findings: None.

Observations: Based upon our inquiries and observation of documents, the Company appears to provide required coverage disclosures to insureds upon initial application in accordance with statutory guidelines.

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 key controls were noted in conjunction with the review of this Standard:

- The producer contracts and home office policies and procedures are designed to comply with statutory underwriting and rating requirements that prohibit special inducements and rebates.
- The Company monitors all discounts when the application is submitted.
- Monthly, the Company performs audits of various producers' underwriting and commission payment procedures to ensure adherence with applicable laws and state statutes.
- The Company pays commissions in accordance with an established commission payment schedule and no payments are made prior to the policy effective date and the appropriate down payment has to be received.
- The Company does not have any bill plans where the first bill is sent to the producer.
- The Company does not advance commissions nor allow debit balances.

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: Eide reviewed new business materials including advertising, producer training materials and manuals for indications of rebating, commission cutting or inducements.

Transaction Testing Results:

Findings: None.

Observations: Based on the results of our testing, it appears that the Company's processes for prohibiting illegal acts, including special inducements and rebates, are functioning in accordance with Company policies and procedures, and statutory underwriting and rating requirements.

Recommendations: None.

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

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

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company's written underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks.
- Company policy prohibits unfair discrimination in its underwriting criteria.
- The Company participates in the Massachusetts Automobile Insurance Plan pursuant to selling private passenger automobile insurance in the state.

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: Eide interviewed Company personnel with responsibility for the underwriting process. Eide selected a sample of 109 policies covering all lines of business issued or renewed during the examination period for testing of any evidence unfair discrimination in underwriting. All policies tested were compared to others with similar circumstances to ensure consistent application of discounts and surcharges.

Transaction Testing Results:

Findings: None.

Observations: Eide noted no evidence that the Company's underwriting practices are unfairly discriminatory.

Recommendations: None.

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

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

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company uses the Accord application and Automobile Insurers Bureau endorsements. The Company does have a supplemental application and a company tailored endorsement applied to all voluntary policies.
- All forms have been filed with and approved by the Division.

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

Transaction Testing Procedure: Eide interviewed Company personnel with responsibility for the underwriting process. Eide selected a sample of 109 policies issued or renewed during the examination period for testing of the use of the standard policy forms and approved endorsements

in compliance with statutory requirements. The standard forms used for each policy, along with all endorsements effective on the policy, were compared to the forms approved by the Division.

Transaction Testing Results:

Findings: None.

Observations: Based the 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.
--

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 key controls were noted in conjunction with the 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 producers are required to use such forms and endorsements as guidelines when providing quotes to consumers at the time of application.
- Policyholders receive a renewal notice on which they can request coverage changes 45-60 days prior to their automobile policy renewal date.

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: Eide interviewed Company personnel with responsibility for the underwriting process. Eide selected a sample of 109 policies issued or renewed during the examination period to test whether new and renewal policies including endorsements were issued timely and accurately.

Transaction Testing Results:

Findings: None.

Observations: Based on the results of our testing, it appears that the Company issues new and renewal policies, including endorsements, timely and accurately.

Recommendations: None.

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

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: See Standard VI-4.

Controls Reliance: See Standard VI-4.

Transaction Testing Procedure: Eide interviewed Company personnel with responsibility for the underwriting process. Eide obtained the population of all denied business during the examination period and noted the reasons for decline and computed counts and percentages by reason. Furthermore, Eide reviewed for trends indicating possible discrimination such as pivoting the data by zip code.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing and review of the information available, Company declinations were not unfairly discriminatory.

Recommendations: None.

Standard VI-8. Cancellation/nonrenewal, 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. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company's billing system is equity based billing system. The cancellation notice is sent 27 days prior to the equity exhaustion date with the equity exhaustion date identified as the effective date of cancellation.
- The Company's third party administrator batches notices of non-renewals to the Department of Motor Vehicles at the end of every month.
- Company policy is that cancellation and non-renewal notices to the policyholder contain provide reasons for discontinuing coverage and those notices must be in writing.
- The Company obtains a certificate of mailing for all cancellations.

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: Eide interviewed Company personnel with responsibility for the underwriting process. Eide selected a random sample of 109 policies issued or renewed during the examination period for underwriting testing. Several of the policies randomly selected were cancelled or non-renewed. For the applicable policies Eide obtained the notice of cancellation and compared the effective dates with the date of the notice and also obtained the certificate of mailing and compared the applicable dates. Additionally, Eide reviewed to ensure the reason for cancellation was included and that it wasn't based on insignificant misrepresentation. Furthermore, Eide reviewed dates the Registry of Motor Vehicles ("RMV") was provided notice of non-renewal.

Transaction Testing Results:

Findings: The Company repeatedly notified the RMV less than 45 days in advance of non-renewed policies.

Observations: Other than the systemic item noted above, the Company's notices comply with applicable policy provisions, state laws, and regulated entity guidelines.

Required Actions: The Company shall report non-renewal information to the RMV within the required timeframe.

Subsequent Actions: Company Response: The Company has developed, submitted and approved a project to increase notice provided by the Company's third-party administrator to the RMV and the third-party administrator will be scheduling the necessary system work to provide the appropriate notice to the RMV in the near future.

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

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

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company's written underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks.
- Company policy prohibits unfair discrimination in its underwriting criteria.

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: Eide interviewed Company personnel with responsibility for the underwriting process. Eide selected a random sample of 109 policies issued or renewed during the examination period for underwriting testing. Several of the policies randomly selected were cancelled or non-renewed. For the applicable policies, Eide obtained the notice of cancellation and compared the effective dates with the date of the notice and also obtained the certificate of mailing and compared the applicable dates. Additionally, Eide reviewed to ensure the reason for cancellation was included in the notice and that it wasn't based on insignificant misrepresentation. Furthermore, Eide reviewed dates the RMV was provided notice of non-renewal.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing, the Company does not appear to rescind based on non-material misrepresentation.

Recommendations: None.

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

Objective: This Standard is concerned with whether unfair discrimination is occurring in the application of premium discounts and surcharges. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VI-1.

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: Eide interviewed Company personnel with responsibility for the underwriting process. Eide selected a sample of 109 automobile policies issued or renewed during the examination period for testing of rates, classifications and premium discounts. Eide verified that each policy's premium discounts and surcharges for multiple coverages complied with statutory and regulatory requirements, and had documentation to support the discounts and surcharges given. Eide also reviewed the underwriting file to ensure that sufficient underwriting information was available at the time the underwriting decision was made. Eide further reviewed the underwriting files for any evidence unfair discrimination in underwriting. All policies tested were compared to others with similar circumstances to ensure consistent application of discounts and surcharges.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, the Company calculates and applies credits, debits and deviations on a consistent and on a non-discriminatory basis.

Recommendations: None.

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

No work performed. The Company does not write commercial automobile, commercial multi-peril, or workers compensation lines.

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. The Company does not write workers compensation line.

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

No work performed. The Company does not write workers compensation line.

Standard VI-14. Verification of experience modification factors.

No work performed. The Company does not write workers compensation line.

Standard VI-15. Verification of loss reporting.

No work performed. The Company does not write workers compensation line.

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

No work performed. The Company does not write workers compensation line and the Company is not subject to NCCI data calls.

Standard VI-17. Underwriting, rating and classification are based on adequate information developed at or near the inception of 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 key controls were noted in conjunction with the review of this Standard:

- Written Company policies and procedures are designed to reasonably assure consistency in the application of underwriting guidelines, rating classifications, premium discounts and surcharges based on information developed at or near the inception of coverage.
- The Company relies on pre-inspection services, information from prior insurers and physical documentation to provide information pertinent to assigning rates and discounts to automobile policies.

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: Eide interviewed Company personnel with responsibility for the underwriting process, and selected a sample of 109 policies issued or renewed during the examination period to test whether underwriting, rating and classification are based on adequate information developed at or near the inception of the coverage. Discounts and surcharges given were traced to source documentation provided by producers. Eide verified that the SDIP surcharges and discounts that were assigned to policies were assessed based on the insured driver, and not on excluded drivers. In addition, Eide reviewed database information to ensure that adequate information was available at the time of the Company's underwriting decision.

Transaction Testing Results:

Findings: None

Observations: Based on testing, the company's underwriting, rating and classification are based on adequate information developed at or near the inception of coverage.

Recommendations: None.

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

No work performed. The Company does not offer policies where premium audits are required.

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).
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See Standard VI-5 for testing of this Standard. See Appendix A for applicable statutes, regulations and bulletins.

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

Objective: This Standard is concerned with whether the Company verifies that the Vehicle Identification Number ("VIN") submitted with the application is valid and accurate. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The producer is responsible for obtaining the VIN when the application is completed.
- Company policies and procedures require that pre-insurance inspections of vehicles verify the VIN.
- The Company verifies the VIN through the Massachusetts Registry of Motor Vehicles Uninsured Motorist System.

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: Eide interviewed Company personnel with responsibility for the underwriting process for capturing the VIN information. Eide selected a sample of 109 automobile policies issued or renewed during the examination period, and examined evidence of the VIN verification through being sent to and returned from the RMV website and through pre-insurance inspections as applicable.

Transaction Testing Results:

Findings: Two of the sampled policies that should have received a pre-insurance inspection did not have one performed.

Observations: With the exception of the items above and based on our testing, it appears that the Company verifies VIN numbers in a manner consistent with statutory and regulatory requirements.

Recommendations: Company should perform pre-insurance inspections when applicable to ensure compliance applicable statutes, regulations and bulletins.

<u>Standard VI-21.</u> The regulated entity does not engage in collusive or anti-competitive underwriting practices.

Objective: This Standard is concerned with whether the Company has engaged in any collusive or anti-competitive underwriting practices. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VI-4.

Controls Reliance: See Standard VI-4.

Transaction Testing Procedure: Eide interviewed Company personnel with responsibility for the underwriting process, and selected a sample of 109 policies issued or renewed during the examination period to test whether underwriting practices appeared collusive or anti-competitive. All available documentation in each policy file was examined.

Transaction Testing Results:

Findings: None.

Observations: Based on the results of our testing, Eide noted no instances where the Company's underwriting policies and practices appeared collusive or anti-competitive.

Recommendations: None.

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

See Standard VI-4 and VI-10 for testing of this Standard. See Appendix A for applicable statutes, regulations and bulletins.

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

Objective: This standard is concerned with whether all group policies meet the minimum requirements, and whether the group exists for more than the sole purpose of receiving group rates.

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company offers group programs to closed groups and offers discounts with rates not higher than in the individual market.
- All of the group programs are filed and approved with the Division and a list of approved automobile group marketing plan deviations are located on the Division's 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: Eide interviewed Company personnel with responsibility for the underwriting process. Eide also selected 109 policies issued or renewed during the examination period to test whether group policies are properly approved, with rates not higher than in the individual market. Three of the originally selected policies included a group policy. Eide obtained supporting documentation to support the applicable discounts during its review and ensured there was no evidence of discrimination when reviewing the applicable underwriting files.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, the Company's group underwriting practices appear to comply with statutory and regulatory requirements.

Recommendations: None.

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.

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 is concerned with the accuracy of statistical coding. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- The Company has written underwriting policies and procedures that are designed to assure reasonable consistency in classification and rating.
- The Company's policies and procedures require that Company personnel confirm that the coding reported by the producer is correct and current.
- The Company has a process to correct data errors and make any changes 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: Eide interviewed Company personnel with responsibility for the underwriting process, to determine whether there are sufficient controls to ensure accurate and timely completion of statistical reports and selected 109 policies issued or renewed during the examination reviewing to test for correct statistical coding.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, the Company's statistical coding appears accurate.

Recommendations: None.

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

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

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- Written Company policies and procedures are designed to ensure that required information is obtained and maintained by the Company or its producers.
- The Company relies on pre-inspection services, information from prior insurers, and physical documentation to provide information pertinent to assigning rates and discounts to automobile policies.

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: Eide interviewed Company personnel with responsibility for the underwriting process, and selected 109 policies issued or renewed during the examination period to test whether adequate documentation exists to support underwriting decisions.

Transaction Testing Results:

Findings: One of the policies tested did not contain documentation to support a roadside assistance discount given to the policyholder.

Observations: Other than the item above, based on testing, application or enrollment forms appear to be properly, accurately and fully completed, including any required signatures, and file documentation adequately supports decisions made.

Recommendations: The Company should ensure that its' agents present all required documentation to the Company before business is processed, and that the Company retains such documentation to support its business decisions.

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 is concerned with the timeliness of the Company's initial contact with the claimant. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard and through Standard VII-12:

- The Company has written policies and procedures governing the claim handling process.
- The Company primarily uses internal adjusters including Traveler's corporate adjusters, but will use independent adjusters as demand or territorial convenience dictates.
- Claims are typically received through the Company's 800 claim reporting number, and also may be received via mail, e-mail, and fax.
- Company policies indicate adjusters should make initial contact as soon as possible, and within 24 hours unless such contact is not possible for reasons beyond the claim handler's control.
- All claim notifications and related correspondence are recorded on a mainframe based automated claims management system.
- Virtually all the claim file documentation is handled through the online claims system with electronic copies of accident reports, police reports, medical bills, photographs, appraisals and any other pertinent report being scanned and placed into the applicable claim file.
- Premier utilizes standard forms when required by state law such as the no-fault benefit application, surcharge notices and reinspection forms.
- All theft and fire losses are reported to the National Insurance Crime Bureau ("NICB") within two business days of receipt of notification from the insured which is an automated process transmitted to ISO/NICB during the loss intake process.
- Reserves, which are probable amounts payable resulting from a claim, are reserved by 30 days from the notice of loss. The only exception to this rule relates to auto physical damage claims which require reserves to be established by 90 days from the notice of loss.
- The Company monitors reserves and adjusts them as new information becomes available.
- Premier has dedicated subrogation claim professional units. Subrogation claim referrals are received from the auto claim professionals and are assigned to a subrogation claim handler who actively pursues optimal recoveries.
- The SIU investigates claims that may be fraudulent.
- The Company has authority levels established for indemnity disbursements based upon individual employee experience and responsibilities and if those thresholds are exceeded that an exception form must be filed and approved by the appropriate level of management to continue the claim process.
- Reservation of Rights letters are sent via certified mail with a return receipt requested to the insured and/or their representative as soon as practical after a coverage issue has been identified. Similarly, an excess of loss letter is sent to the insured and/or their representative upon identification of a potential excess exposure.

- The Company has procedures in place to provide medical reports, and/or the amount of the insured's policy limits, upon receiving requests for such information from a claimant or their attorney.
- The Company has procedures to intercept non-recurring payments for past due child support for certain defined claim payments.
- The Company's policy prohibits discrimination in the reimbursement of proper expenses paid to certain professions and occupations.
- Management reviews the claims process as follows:
 - Claim managers have system-based access to the open claim inventory of all their direct reports and routinely monitor these claims as part of their day-to-day responsibilities.
 - For all eligible claim professionals a minimum of two reviews per handler per month are required to be completed by a manager and compliance is verified monthly.
 - The Travlers National Quality Management Team on a monthly basis reviews a sample of files as part of the National Quality Review Program with the findings reported back to the Company.

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

Transaction Testing Procedure: Eide interviewed Company personnel to understand the claim handling processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period to test the timeliness of the Company's initial contact with claimants. Eide verified the date each selected claim was first reported to the Company, and noted whether the Company's initial response was made in a timely manner according to applicable statutes and Company procedures.

Transaction Testing Results:

Findings: One of the claimants did not receive contact from the company until three business days after the notice of loss and as a result the initial contact was untimely.

Observations: With the exception of the above, it appears that the Company's processes for providing timely responses to claims correspondence are functioning in accordance with their policies and procedures, and are reasonably timely.

Recommendations: Reiterate to claims handling personnel the importance of following company procedures regarding timeliness of initial contact procedures with claimants to ensure compliance with applicable statutes, regulations and bulletins.

Standard VII-2. Timely investigations are conducted.

Objective: The Standard is concerned with the timeliness of the Company's claim investigations. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: Eide interviewed Company personnel with responsibility for claim handling processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period to evaluate the Company's compliance with its claims handling policies and procedures. Eide verified the date that each selected claim was reported to the Company, and noted whether its investigation was conducted in a reasonable and timely manner.

Transaction Testing Results:

Findings: None.

Observations: Based on our testing, it appears that the Company conducts timely investigations of claims in accordance with applicable statutes, regulations and bulletins.

Recommendations: None.

Standard VII-3. Claims are resolved in a timely manner.
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Objective: The Standard is concerned with the timeliness of the Company's claim settlements.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: Eide interviewed Company claims personnel to understand its claims handling processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period, to evaluate the Company's compliance with its claim handling policies and procedures. Eide verified the date each selected claim was reported, and whether it was timely and reasonably resolved by the Company.

Transaction Testing Results:

Findings: None.

Observations: Based on our testing, it appears that the Company resolves claims in a timely manner in accordance with applicable statutes, regulations and bulletins.

Recommendations: None.

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

Objective: The Standard is concerned with the timeliness of the Company's response to all claim correspondence. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: Eide interviewed Company personnel to understand the claim handling processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period to test the timeliness of the Company's response to claims correspondence. Eide verified the date each selected claim was reported to the Company, and noted whether it timely responded to claim correspondence throughout the duration of the claim.

Transaction Testing Results:

Findings: An insured contacted the Company via telephone who was unable to receive an answer at the time of the call. The phone call was never returned by the Company.

Observations: With the exception of the above item, based on our testing, it appears that the Company responds to claims correspondence in a timely manner in accordance with applicable statutes, regulations and bulletins.

Recommendations: The Company should respond promptly to inquiries and other correspondence to ensure compliance with applicable statutes, regulations and bulletins.

Standard VII-5. Claim files are adequately documented.

Objective: The Standard is concerned with the adequacy of information maintained in the Company's claim records related to claim decisions. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: Eide interviewed Company claim personnel to understand their claim handling processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period to evaluate the Company's compliance with its claim handling policies and procedures. Eide reviewed the file for each selected claim, and noted whether its documentation was adequate.

Transaction Testing Results:

Findings: None.

Observations: Based on our testing, it appears that the Company's claim documentation is adequately maintained in accordance with applicable statutes, regulations and bulletins.

Recommendations: None.

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

Objective: The Standard is concerned with whether proper claim settlement amounts are paid to appropriate claimants/payees. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: Eide interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period, to evaluate the Company's compliance with its claim handling policies and procedures. Eide verified whether each selected claim was handled in accordance with applicable policy provisions, statutory and regulatory requirements.

Transaction Testing Results:

Findings: None.

Observations: Even though Eide noted that one supplemental appraisal took longer than the required timeframe of three business days to complete from the receipt of the request, there is no finding. This untimely supplemental appraisal occurred during the CAT 96 storms which included the State of Massachusetts and therefore produced a hardship on the Company and its appraisers to complete the appraisal within the required timeframe. Based on our testing for the remaining items, it appears that the Company properly handles claims in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.

Recommendations: None.

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

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

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: Eide interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period to evaluate the Company's compliance with its claim handling policies and procedures. Eide reviewed the file for each selected claim, and noted whether its claim reporting was appropriate.

Transaction Testing Results:

Findings: None.

Observations: Based on our testing, it appears that the Company's claims forms utilized are appropriate for the type of product.

Recommendations: None.

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

Objective: The Standard is concerned with the adequacy of information maintained in the Company's claim records related to its reserving practices. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: Eide interviewed Company personnel to understand its claim reserving processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period to evaluate the Company's compliance with its claims reserving policies and procedures. Eide verified the date each selected claim was reported to the Company, and noted whether claim reserves were evaluated, established and adjusted in a reasonable and timely manner consistent with Company policy.

Transaction Testing Results:

Findings: None.

Observations: Based upon the results of our testing, it appears that the Company's processes for evaluating, establishing and adjusting claim reserves are functioning in accordance with their policies and procedures, and are reasonable and timely.

Recommendations: None.

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

Objective: The Standard is concerned with 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: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: Eide interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period to evaluate the Company's compliance with its claim handling policies and procedures. Eide verified the date the claim was reported, reviewed correspondence and investigative reports and noted whether the Company handled each claim timely and properly before closing or denying it.

Transaction Testing Results:

Findings: None.

Observations: Based on our testing, it appears that the Company's denied and closed without payment claims are in accordance with policy provisions and state law.

Recommendations: None.

Standard VII-10. Canceled benefit checks and drafts reflect appropriate claim handling practices.
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Objective: The Standard is concerned with the Company's procedures for issuing claim checks as it relates to appropriate claim handling practices. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: Eide interviewed Company personnel to understand its claim payment processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period to evaluate the Company's compliance with its claim payment policies and procedures. Eide reviewed the file for each selected claim, and noted whether claim payment practices were appropriate.

Transaction Testing Results:

Findings: None.

Observations: Based upon the results of our testing, it appears that the Company's processes for issuing claim payment checks are appropriate, and functioning in accordance with their 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 is concerned with 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 what the policy contract provides for. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: Eide interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period to evaluate the Company's compliance with its claims handling policies and procedures. Eide verified the date the tested claim was reported, reviewed related correspondence and investigative reports, and noted whether it was handled timely and properly.

Transaction Testing Results:

Findings: None.

Observations: Based upon the results of our testing, it appears that the Company's processes do not unreasonably deny claims or compel claimants to instigate litigation.

Recommendations: None.

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

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

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: Eide interviewed Company personnel to understand its claims handling processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period, to evaluate the Company's compliance with its claim handling policies and procedures.

Transaction Testing Results:

Findings: None.

Observations: Based on our testing, it appears that the Company uses the reservation of rights and excess of loss letters when appropriate.

Recommendations: None.

Standard VII-13. Deductible reimbursement to insured's upon subrogation recovery is made in a timely and accurate manner.
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Objective: The Standard is concerned with the Company's timely refund of deductibles from subrogation proceeds. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following key controls were noted in conjunction with the review of this Standard:

- Premier has dedicated subrogation claim professional units.
- Subrogation claim referrals are received from the auto claim professionals and are assigned to a subrogation claim handler who actively pursues optimal recoveries.
- Company policy is to resolve all subrogated claims in a timely manner.
- When liability or coverage issues are undisputed with another carrier, the Company waives the deductible to its insured.
- Management reviews the claims process at three different levels.
 - Claim managers have system-based access to the open claim inventory of all their direct reports and routinely monitor these claims as part of their day-to-day responsibilities.
 - For all eligible claim professionals a minimum of two reviews per handler per month are required to be completed by a manager and compliance is verified monthly.
 - The Travlers National Quality Management Team on a monthly basis reviews a sample of files as part of the National Quality Review Program with the findings reported back to the Company.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable.

Transaction Testing Procedure: Eide interviewed Company personnel to understand claims handling processes, and obtained documentation supporting such processes. Eide selected a total sample of 109 claims paid or closed without payment during the examination period, to evaluate the Company's compliance with its claim handling policies and procedures. Eide reviewed the files for each selected claim, and noted whether subrogation recoveries were timely and accurate.

Transaction Testing Results:

Findings: None.

Observations: Based upon the results of our testing, it appears that the Company's processes to make subrogation recoveries to insureds are functioning in accordance with their policies and procedures.

Recommendations: None.

Standard VII-16. Loss statistical coding is complete and accurate.

Objective: The Standard is concerned with 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 key controls were noted in conjunction with the review of this Standard:

- Company policy is to timely report complete and accurate loss data to appropriate rating bureaus.
- Company claims management personnel reconcile the underlying data for completeness and accuracy, and generate exception reports to ensure the loss data is properly reported.
- A Detailed Claim Database (DCD) record is submitted when an indemnity payment is made on a claim for bodily injury, personal injury protection, medical payments, uninsured motorist and underinsured motorist.
- DCD screens are completed accurately in accordance with the DCD manual.

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: Eide interviewed Company personnel to understand loss statistical reporting processes, and obtained documentation supporting such processes.

Transaction Testing Results:

Findings: None.

Observations: The Company appears to have processes for timely and accurately reporting loss statistical data to rating bureaus in accordance with its policies and procedures, as well as statutory and regulatory requirements

Recommendations: None.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF
THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS

SUMMARY

Based upon the procedures performed in this comprehensive examination, Eide has reviewed and tested Company operations/management, complaint handling, marketing and sales, producer licensing, policyholder service, underwriting and rating, and claims as set forth in the 2010 *NAIC Market Regulation Handbook*, the examination standards of the Division, and the Commonwealth of Massachusetts' insurance laws, regulations and bulletins. Eide has provided required actions and recommendations to the Company.

ACKNOWLEDGEMENT

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

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

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

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

2010 NAIC MARKET REGULATION HANDBOOK**PROPERTY CASUALTY EXAMINATION STANDARDS AND MASSACHUSETTS AUTHORITIES****Company Operations / Management**

Standard I-1: The regulated entity has an up to date, valid internal or external audit program.

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

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

18 U.S.C. §1033; Division Bulletins 1998-11 and 2001-14.

18 U.S.C. §1033: Prohibits individuals convicted of state or federal felonies involving dishonesty or breach of trust from being in business of insurance in licensed and non-licensed capacities without written consent of primary regulator.

Division Bulletins 1998-11 and 2001-14: Provides information regarding MA procedures for applying for written consent.

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

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.

M.G.L. c. 175, § 177I (F) & (G).

M.G.L. c. 175, § 177I (F): Managing general agent contracts must include appropriate underwriting guidelines addressing issues including maximum annual premium volume, basis of rates charged, types of risks written and applicable exclusions.

M.G.L. c. 175, § 177I (G): Managing general agent contracts that permit MGAs to settle claims require them to send copies of claim files to insurers in instances including when there is a coverage dispute, a potential to exceed settlement authority or if the claim is open for more than 6 months.

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.

M.G.L. c. 175, § 177J (C): Requires insurers at least semi-annually to conduct an on-site review of the underwriting and claims processing operations of the managing general agents, and prepare a written report of its findings.

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

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

M.G.L. c. 175, §§ 32 and 47.

M.G.L. c. 175, § 32: Company must have certificate of authorization from Commissioner to do business.

M.G.L. c. 175, § 47: Lines of business for which Company may be authorized.

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

M.G.L. c. 175, § 4: Provides for Commissioner's authority to conduct examinations of insurers.

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

Gramm-Leach-Bliley Act §§ 502, 503, 504 and 505; 16 Code of Federal Regulations ("CFR") Part 313.

Gramm-Leach-Bliley Act / 16 CFR: Federal Privacy Act & related regulations.

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

Gramm-Leach-Bliley Act §§ 502, 503, 504 and 505; 16 CFR Part 313.

Gramm-Leach-Bliley Act / 16 CFR: Federal Privacy Act & related regulations.

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.

Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505; 16 CFR Part 313; 201 CMR 17.00; Division Bulletin 2010-02.

Gramm-Leach-Bliley Act / 16 CFR: Federal Privacy Act & related regulations.

201 CMR 17.00: Standards for the Protection of Personal Information.

Division Bulletin 2010-02: Directive implementing 201 CMR 17.00 for insurers.

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.

Gramm-Leach-Bliley Act §§ 502, 503, 504 and 505; 16 CFR Part 313.

Gramm-Leach-Bliley Act / 16 CFR: Federal Privacy Act & related regulations.

Standard I-14: If the regulated entity discloses information subject to an opt-out right, the regulated entity 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 regulated entity provides opt out notices to its customers and other affected consumers.

Gramm-Leach-Bliley Act §§ 502, 503, 504 and 505; 16 CFR Part 313.

Gramm-Leach-Bliley Act / 16 CFR: Federal Privacy Act & related regulations.

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.

Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505; 16 CFR Part 313.

Gramm-Leach-Bliley Act / 16 CFR: Federal Privacy Act & related regulations.

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.

Health Insurance Portability & Accountability Act of 1996 (HIPAA); Public Law 104-191; 45 CFR Parts 160 & 164.

Health Insurance Portability & Accountability Act of 1996 (HIPAA); Public Law 104-191; 45 CFR Parts 160 & 164: The Health Insurance Portability & Accountability Act of 1996 (HIPAA); Public Law 104-191 and 45 CFR Parts 160 & 164 set for proper procedures for inquiry, release, disclosure and maintenance of nonpublic personal health information.

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

Gramm-Leach-Bliley Act §§ 502, 503, 504 and 505; 16 CFR Part 313; 201 CMR 17.00; Division Bulletin 2010-02.

Gramm-Leach-Bliley Act / 16 CFR: Federal Privacy Act & related regulations.

201 CMR 17.00: Standards for the Protection of Personal Information.

Division Bulletin 2010-02: Directive implementing 201 CMR 17.00 for insurers.

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

Homeowners: M.G.L. c. 175, § 4B.

Personal Lines: M.G.L. c. 175, § 4.

M.G.L. c. 175, § 4B: The top 25 homeowners insurers in Massachusetts shall annually file premium and loss data by zip code with the Division, including the number of cancellations and non-renewals, and all sorted by voluntary and residual markets.

M.G.L. c. 175, § 4: Authority for required submission by personal lines insurers of the NAIC Market Conduct Annual Statement and related data.

Complaint Handling

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

M.G.L. c. 176D, § 3(10): Failure to maintain complaint procedures and complete complaint records is an unfair & deceptive act.

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

M.G.L. c. 176D, § 3(10): Failure to maintain complaint procedures and complete complaint records is an unfair & deceptive act.

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.

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

Marketing & Sales

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

M.G.L. c. 176D, § 3; M.G.L. c. 175, §§ 18 and 181; Division Bulletins 2001-02 and 2009-14.

M.G.L. c. 176D, § 3: Defines unfair methods of competition, and unfair acts and practices in the business of insurance.

M.G.L. c. 175, § 18: Must conduct business in corporate name.

M.G.L. c. 175, § 181: Misrepresentation by insurer is illegal.

Division Bulletin 2001-02: Insurers with an Internet website must disclose on that website the company's name as it appears on their certificate of authority, and the address of their principal office.

Division Bulletin 2009-14: Guidelines for truth in advertising and marketing of private passenger motor vehicle policies.

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

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

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

M.G.L. c. 175, § 193R: Group rating is allowed, but companies must offer no higher than the same rate in the individual market, and can't cancel anyone in group except for fraud or non-payment.

Producer Licensing

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

18 U.S.C. § 1033; M.G.L. c. 175, §§ 162I and 162S; Division Bulletins 1998-11 and 2001-14.

M.G.L. c. 175, § 162I: Producers must be licensed for lines of business being sold.

M.G.L. c. 175, § 162S: Producers may not act as agent of insurer unless appointed.

18 U.S.C. §1033: Prohibits individuals convicted of state or federal felonies involving dishonesty or breach of trust from being in business of insurance in licensed and non-licensed capacities without written consent of primary regulator.

Division Bulletins 1998-11 and 2001-14: Provides information regarding MA procedures for applying for written consent.

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.

18 U.S.C. §1033; M.G.L. c. 175, §§ 162I and 162S; 211 CMR 50.00 and 142.05-.06; Division Bulletins 1998-11 and 2001-14.

M.G.L. c. 175, § 162I: Producers must be licensed for lines of business being sold.

M.G.L. c. 175, § 162S: Producers may not act as agent of insurer unless appointed.

18 U.S.C. §1033: Prohibits individuals convicted of state or federal felonies involving dishonesty or breach of trust from being in business of insurance in licensed and non-licensed capacities without written consent of primary regulator.

211 CMR 50.00: Requires producers to maintain continuing education requirements.

211 CMR 142.05-06: Producers selling insurance at banks or credit unions shall be licensed under M.G.L. c. 175, § 162I.

Division Bulletins 1998-11 and 2001-14: Provides information regarding MA procedures for applying for written consent.

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.

M.G.L. c. 175, §§ 162R, 162T and 163.

M.G.L. c. 175, § 162R: Defines the reasons for which the Division may terminate a producer's license. Companies may also terminate the agent appointment for such reasons.

M.G.L. c. 175, § 162T: Procedures for termination of agent appointments, and requirement that insurers notify the Division of "for cause" terminations within 30 days.

M.G.L. c. 175, § 163: Other than a "for cause" termination, the Company shall give 180 days' notice to the agent for termination of the appointment.

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

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

M.G.L. c. 175, §§ 162R, 162T and 163.

M.G.L. c. 175, § 162R: Defines the reasons for which the Division may terminate a producer's license. Companies may also terminate the agent appointment for such reasons.

M.G.L. c. 175, § 162T: Procedures for termination of agent appointments, and requirement that insurers notify the Division of "for cause" terminations within 30 days.

M.G.L. c. 175, § 163: Other than a "for cause" termination, the Company shall give 180 days' notice to the agent for termination of the appointment.

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

Policyholder Service

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

M.G.L. c. 175, §§ 193B and 193B ½.

M.G.L. c. 175, §§ 193B: Automobile premium installments are acceptable.

M.G.L. c. 175, § 193B ½: Automobile installment premium shall calculate the interest charge only on the unpaid balance due as of the billing date.

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

M.G.L. c. 175, § 187B and 187C; Division Bulletin 2008-10.

M.G.L. c. 175, § 187B: Insurers are required to return unearned premium to insureds upon cancellation of policies.

M.G.L. c. 175, § 187C: Insured may request policy cancellation by giving notice to the Company or agent.

Division Bulletin 2008-10: Requirements for insurers to accept private passenger auto transfer requests.

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

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

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

(Examiner Note: This standard is assumed to cover all post issuance transactions except claims and insured-request cancellations, which is covered in Standard V-2. This standard includes reinstatements, which unlike life and annuity reinstatements are not explicitly covered in these standards.)

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

M.G.L. c. 200A, §§ 1, 2, 7-7B, 8A and 9.

M.G.L. c. 200A, § 1: Includes insurance policies in the definition of property.

M.G.L. c. 200A, §§ 2, 7-7B, 8A and 9: Amounts due policyholders or beneficiaries are presumed abandoned if unclaimed for more than three years after the funds become payable. Annual reporting to the State Treasurer's Office regarding efforts to locate owners is required, and the statutes require payments to the State Treasurer's Office for escheated property.

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.

M.G.L. c. 175, §§ 187B and 187C.

Automobile: M.G.L. c. 175, §§ 113A and 176A; 211 CMR 97.05.

M.G.L. c. 175, § 187B: Insurers are required to return unearned premium to insureds upon cancellation of policies.

M.G.L. c. 175, § 187C: Requires insurers to provide written notice of cancellation and return premium as appropriate.

M.G.L. c. 175, § 113A: Provides, in part, that when a motor vehicle policy is cancelled by either the insured or the company, insureds that paid the premium are entitled to a return of premium calculated on a pro rata basis.

M.G.L. c. 175, § 176A: Premium refunds on cancelled motor vehicle policies must be paid to the policyholder within 30 days, and notice of the cancellation must be given.

211 CMR 97.05: Provides for the return of premium and allows the use of short rate tables in certain instances.

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

Underwriting & Rating

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.

(Examiner Note: This standard addresses rating filing procedures and filed rates. Laws, regulations and bulletins that specifically address unfair discrimination in rating are also contained in Standards VI-4 and VI-10.)

General: M.G.L. c. 175, § 193R; Division Bulletin 2008-08.

Private Passenger Automobile: M.G.L. c. 175E, §§ 4 and 7; M.G.L. c. 175, § 113B; 211 CMR 56.04, 79.00 and 134.00; Division Bulletins 2008-17, 2009-12, 2009-13, 2010-01 and 2010-11.
Commercial Automobile and Commercial Multi-peril: M.G.L. c. 175A, § 5, 6 and 9; CMR 211 91.00; Division Bulletin 2008-04.

Fire, Marine and Inland Marine: M.G.L. c. 174A, §§ 5, 6 and 9; 211 CMR 131.00.

Workers' Compensation: M.G.L. c. 152, § 53A; 211 CMR 110.00, 113.00 and 115.00.

M.G.L. c. 175, § 193R: For private passenger auto and homeowners insurance, group rating is allowed, but companies must offer no higher than the same rate in the individual market.

M.G.L. c. 175E, § 4: Private passenger auto rates shall not be excessive, inadequate or discriminatory. Policyholders over age 65 get a 25% discount.

M.G.L. c. 175E, § 7: Private passenger auto insurers must file manual of rate classifications, rules, rates, rating plans and any modifications, not less than 45 days before the effective date.

M.G.L. c. 175E, § 7A: Requirement to reverse any auto surcharges for an-fault accident if the Board of Appeals or Court reverses that determination. Also must report any surcharge reversal to any consumer reporting agency which was notified of the original surcharge.

M.G.L. c. 175, § 113B: Commissioner's authority for private passenger auto rate setting, SDIP discounts and process.

211 CMR 56.04: Commissioner must approve participating repair shop endorsement plans with 5-15% reductions presumed reasonable. Approval required outside that range. Policyholder must sign notice at purchase or renewal if option is elected.

211 CMR 79.00: Prescribes private passenger auto rate filing process and rates for the residual market.

211 CMR 91.00: Governs activities of rating organizations, form and content of auto rate filings and the conduct of related hearings.

211 CMR 131.00: Requirements, forms and rates for liability coverage for lead in housing.

211 CMR 134.00: Procedures for private passenger auto Safe Driver Insurance Plan (SDIP).

M.G.L. c. 174A, § 5: Rates for fire, marine & inland marine coverage shall be experienced based and not unfairly discriminatory. Affiliates may make same rate filings or use same rates.

M.G.L. c. 174A, § 6: Fire, marine & inland marine insurers shall file rates with Commissioner 15 days before effective date.

M.G.L. c. 174A, § 9: Fire, marine & inland marine insurer members of rating organizations must use their filed rates, or must file separate rates.

M.G.L. c. 175A, § 5: Rates for commercial auto and general liability insurance shall be based on experience and shall not be unfairly discriminatory. Rates shall not be excessive, inadequate or unfairly discriminatory.

M.G.L. c. 175A, § 6: Such rates must be filed with the Division prior to use.

M.G.L. c. 175A, § 9: Insurers must use such filed rates.

M.G.L. c. 152, § 53A: Specifies a rate filing process and statistical reporting requirements for workers compensation policies using experience rating credits & payroll caps to ensure equitable distribution of premium based on wage differentials. Rates & producer commissions for business ceded to the Commonwealth reinsurance pool are determined by the Division.

211 CMR 110.00, 211 CMR 113.00 and 211 CMR 115.00: Provide guidance on workers compensation rate filing procedures, deductibles, premium credit filings and rate hearings.

Division Bulletin 2008-04: Discusses procedures for filing forms and rates for commercial terrorism coverage and required disclosures.

Division Bulletin 2008-08: Guidelines for filing rate and form filings for all lines of business.

Division Bulletin 2008-17: Guidelines for rating and placement of automobile policies within holding company affiliates or among risk categories within one company.

Division Bulletin 2009-12: Standards for rate filings for the residual market for private passenger auto policies with effective dates of April 1, 2010 and later.

Division Bulletin 2009-13: Standards for rate filings for private passenger auto policies with effective dates of April 1, 2010 and later.

Division Bulletin 2010-01: Guidelines for motorcycle rating.

Division Bulletin 2010-11: Guidelines on rating changes and reporting as a result of Board of Appeals at-fault accident surcharge reversals.

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

Private Passenger Automobile: M.G.L. c. 175E, §§ 11 and 11A; Division Bulletins 2008-05, 2008-07.

Commercial Automobile and Commercial Multi-peril: M.G.L. c. 175A, § 11; Division Bulletin 2008-04.

Fire, Marine and Inland Marine: M.G.L. c. 175, § 99A; M.G.L. c. 174A, § 11.

Workers' Compensation: M.G.L. c. 152, § 25A.

M.G.L. c. 175A, § 11: Insurers shall furnish rate information to insureds upon request.

M.G.L. c. 175E, §§ 11 and 11A: Insurers must produce auto rate information guide outlining coverage choices and approximate costs in language approved by Commissioner. They must also provide "Ways to Save Guide" to all applicants.

M.G.L. c. 175, § 99A: Fire policies must disclose exclusion of coverage for nuclear accidents.

M.G.L. c. 174A, § 11: Insurers shall timely furnish rate information to insureds upon request.

M.G.L. c. 152, § 25A: Each workers compensation insurer must offer policy deductibles, including reasonable small deductibles optional to the policyholder, which shall be fully disclosed to prospective policyholders in writing.

Division Bulletin 2008-04: Discusses commercial terrorism coverage required disclosures.

Division Bulletin 2008-05: Requirement to provide private passenger auto consumers with "Ways to Save Guide."

Division Bulletin 2008-07: Requirement to obtain written acknowledgement from applicant regarding terms of six month private passenger auto policies.

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

General: M.G.L. c. 175, §§ 177, 182, 183 and 184; M.G.L. c. 176D, § 3(8).

Automobile: Division Bulletin 2010-06.

Workers' Compensation: M.G.L. c. 152, § 53A, 211 CMR 45.00.

M.G.L. c. 175, § 177: Insurers and producers may not pay compensation to unlicensed entities, but it is permissible to pay referral fees to unlicensed employees of licensed producers.

M.G.L. c. 175, § 182: Inducements not specified in policy are illegal.

M.G.L. c. 175, § 183: Rebates not specified in a policy are illegal.

M.G.L. c. 175, § 184: Clarifies application of previous two sections.

M.G.L. c. 176D, § 3(8): Rebates, inducements and other valuable provisions not specified in policy contract may not be given.

M.G.L. c. 152, § 53A: Requires the Division to determine producer commissions for workers' compensation business ceded to the Commonwealth reinsurance pool.

211 CMR 45.00: Establishes service fees for producers assisting with placement of workers' compensation risks in the reinsurance pool.

Division Bulletin 2010-06: Guidelines for auto salespersons involved in selling auto insurance.

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

(Examiner Note: The Division interprets this standard as addressing unfair discrimination in underwriting primarily as impacted through rating, since Standard VI-7 addresses unfair discrimination in underwriting declinations and rejections. Also, the laws, regulations and bulletins referenced in this standard are identical to those referenced in Standard VI-10 since that standard also addresses unfair discrimination in rating.)

General: M.G.L. c. 175, §§ 193R and 193T.

Automobile: M.G.L. c. 175E, §§ 4 and 7A; M.G.L. c. 175, § 22E, 113K and 113N; 211 CMR 88.00; Division Bulletins 2008-17 and 2010-11.

Homeowners: M.G.L. c. 175, §§ 4C and 95B.

Commercial Automobile and Commercial Multi-peril: M.G.L. c. 175A, § 5.

Fire, Marine and Inland Marine: M.G.L. c. 174A, § 5.

M.G.L. c. 175E, § 4: Auto rates shall not be excessive, inadequate or discriminatory. Policyholders over age 65 get a 25% discount.

M.G.L. c. 175E, § 7A: Requirement to reverse any auto surcharges for an-fault accident if the Board of Appeals or Court reverses that determination. Also must report any surcharge reversal to any consumer reporting agency which was notified of the original surcharge.

M.G.L. c. 175, § 4C: Homeowners insurers may not discriminate based on race, color, religious creed, national origin, sex etc.

M.G.L. c. 175, § 22E: Insurers may not refuse to issue or renew an auto policy based on an insured's age, sex, race, occupation or marital status, or the vehicle's principal place of garaging.

M.G.L. c. 175, § 95B: Discrimination against abuse victims in residential property insurance sales is prohibited.

M.G.L. c. 175, § 113K: Persons aged 16 or older may purchase automobile insurance.

M.G.L. c. 175, § 113N: Prohibits medical exams as a condition of underwriting an auto policy.

M.G.L. c. 175, § 193R: For private passenger auto and homeowners insurance, group rating is allowed, but companies must offer no higher than the same rate in the individual market.

M.G.L. c. 175, § 193T: Discrimination in any insurance policy based on partial blindness, blindness, intellectual disability or physical impairment is prohibited, except based on actuarial principles.

M.G.L. c. 175A, § 5: Rates for commercial automobile and multi-peril policies shall be based on past and prospective loss experience, a reasonable margin for underwriting profit and contingencies, investment income, unearned premium reserves and loss reserves. Rates shall not be excessive, inadequate or unfairly discriminatory.

M.G.L. c. 174A, § 5: Fire, marine and inland marine rates shall be based on past and prospective loss experience during a period of not less than the most recent five-year period for which such experience is available, and shall consider a reasonable margin for underwriting profit and contingencies. Finally, such rates shall not be excessive, inadequate or unfairly discriminatory.

211 CMR 88.00: Provides procedures for individuals to appeal accident and SDIP surcharges.

Division Bulletin 2008-17: Guidelines for rating and placement of automobile policies within holding company affiliates or among risk categories within one company.

Division Bulletin 2010-11: Guidelines on rating changes and reporting as a result of Board of Appeal at-fault accident surcharge reversals.

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

(Examiner Note: This standard is essentially identical with standard VI-19 and thus the laws, regulations and bulletins are the same for both.)

General: M.G.L. c. 175, §§ 2B, 22A and 192; Division Bulletin 2008-08.

Automobile: M.G.L. c. 175, §§113A and 113H; 211 CMR 3.00; Division Bulletins 2008-13 and 2009-06.

Commercial: Division Bulletin 2008-04.

Property/Liability: M.G.L. c. 175, §§ 99, 99B and 111H; 211 CMR 131.00, Division Bulletins 2010-03 and 2011-04.

Workers' Compensation: M.G.L. c. 152, § 53A; 211 CMR 113.00 and 115.00.

M.G.L. c. 175, § 2B: Policy form language, size and content standards for all policies must meet statutory requirements for readability and understanding.

M.G.L. c. 175, § 22A: Requires filing of policy forms.

M.G.L. c. 175, § 99: Fire policy form requirements.

M.G.L. c. 175, § 99B: Form authority and approval for commercial property and multi-peril condo risks.

M.G.L. c. 175, § 111H: Insurers shall cover lead exposure claims on liability policies providing coverage to an owner of premises for which a letter of interim or full compliance is in effect.

M.G.L. c. 175, § 113A: Motor vehicle policy form approval required.

M.G.L. c. 175, § 113H: Requires auto insurers to participate in assigned risk residual markets as part of their plan of operation.

M.G.L. c. 175, § 192: Endorsements must be filed with the Division prior to use.

211 CMR 3.00: Guidelines for motorcycle policies.

211 CMR 113.00 and 211 CMR 115.00: Guidance on workers' compensation deductibles.

211 CMR 131.00: Requirements, forms and rates for liability coverage for lead in housing.

M.G.L. c. 152, § 53A: Requires workers' compensation policy forms to be filed with the Division.

Division Bulletin 2008-04: Procedures for filing forms/rates for commercial terrorism coverage.

Division Bulletin 2008-08: Guidelines for filing rate and form filings for all lines of business.

Division Bulletin 2008-13: Clarification of "High Theft Vehicles" and types of anti-theft devices.

Division Bulletin 2009-06: Guidelines for commercial motor vehicle liability policy deductibles.

Division Bulletin 2010-03: Clarification on coverage for liquid fuel spills on homeowners policies.

Division Bulletin 2011-04: Clarification of terrorism coverage on commercial property risks.

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

M.G.L. c. 175, § 113S and 211 CMR 94.00.

M.G.L. c. 175, § 113S: Pre-inspection of vehicles required for all but new cars, cars of customers for the past 3 years and those for which the inspection would be a hardship.

211 CMR 94.00: Standards and procedures for motor vehicle pre-insurance inspections, exemptions and suspension of physical damage coverage for no inspection.

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

(Examiner Note: This standard applies to applications for insurance which are rejected or declined by the company. It does not apply to cancelled or non-renewed coverage. The standard should also cover declination notices, although except for the Federal Fair Credit Reporting Act, there are no Massachusetts laws, regulations or bulletins regarding declinations.)

General: M.G.L. c. 175, § 193T.

Automobile: M.G.L. c. 175, §§ 22E, 113D, 113K and 113N.

Property/Liability: M.G.L. c. 175, §§ 4C and 95B; M.G.L. c. 175C, § 3.

Homeowners: Fair Credit Reporting Act, § 615(a).

M.G.L. c. 175, § 4C: Insurers may not discriminate based on race, color, religious creed, national origin, sex etc. when issuing or renewing homeowner's policies.

M.G.L. c. 175, § 22E: Insurers may not refuse to issue or renew an auto policy based on an insured's age, sex, race, occupation or marital status, or the vehicle's principal place of garaging.

M.G.L. c. 175, § 95B: Discrimination against abuse victims in residential property insurance sales is prohibited.

M.G.L. c. 175, § 113D: Auto policyholders who are rejected for coverage or cancelled can file a complaint within 10 days with the Board of Appeals.

M.G.L. c. 175, § 113K: Persons aged 16 or older may purchase automobile insurance.

M.G.L. c. 175, § 113N: Prohibits medical exams as a condition of underwriting an auto policy.

M.G.L. c. 175, § 193T: Denial of an insurance policy based on partial blindness, blindness, intellectual disability or physical impairment is prohibited, except based on actuarial principles.

M.G. L c. 175C, § 3: Insurers or producers may not direct any producer to not solicit property risks which would be underwritten by the property joint underwriting association, of which all insurers are required to be members.

Fair Credit Reporting Act, § 615(a): Requires written notice to homeowners insurance applicants, who are denied coverage due to a credit or insurance score, including notice that they have been denied coverage based on their credit report from a consumer reporting agency and notice of the rights of the applicants.

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

(Examiner Note: This standard addresses company cancellations and non-renewals for any reason, as well as the notices thereon. Also, since Standard VI-24 is nearly identical, the laws, regulations and bulletins are identical.)

General: M.G.L. c. 175, §§ 187C and 187D.

Personal Lines: M.G.L. c. 175, § 193R.

Private Passenger Automobile: M.G.L. c. 175, §§ 22C, 113A and 113F; 211 CMR 97.00.

Homeowners: M.G.L. c. 175, §§ 99 and 193P.

Workers' Compensation: M.G.L. c. 152, §§ 55A and 65B.

M.G.L. c. 175, § 187C and 187D: Requires insurers to provide written notice of cancellation for any insurance policy for any reason including for non-payment of premium.

M.G.L. c. 175, § 193R: Insurers may not cancel individual members of a group plan except for fraud or non-payment.

M.G.L. c. 175, § 22C: Auto coverage cancellable due to non-payment, fraud, license suspension or failure to comply with renewal requirements after 30 days notice.

M.G.L. c. 175, § 113A: Insurers must give 20 days' notice to cancel, must give the specific reason and must obtain a certificate of mailing receipt from post office and any return premium paid.

M.G.L. c. 175, § 113F: Insurers must give 45 days' notice to the DMV and to the insured or agent to non-renew coverage. An agent must notify the insured within 15 days of receipt of notice.

M.G.L. c. 175, § 99: Within the first 60 days of coverage, an insurer may cancel homeowners coverage by giving 5 days written notice to insured for underwriting reasons and 10 days notice for non-payment of premium. 20 days notice must be given to mortgagee in all cases. The specific reason must be given in all cases. After 60 days, the coverage may only be cancelled for non-payment, illegal act, fraud or material changes in the risk.

M.G.L. c. 175, § 193P: Insurers must give 45 days' written notice to insured or to the agent with the specific reason stated, to non-renew homeowners coverage. Agent must notify insured within 15 days of receipt.

M.G.L. c. 152 § 55A: Allows mid-term notice of cancellation only if based on premium nonpayment, fraud affecting the policy or insured; or a substantial increase in the risk.

M.G.L. c. 152 § 65B: Written cancellation notice required to the rating organization and insured, which is effective unless the employer, within 10 days of receipt, files objection.

211 CMR 97.00: Guidelines for cancellation and non-renewal of motor vehicle policies with such notices requiring the specific reason.

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

Private Passenger Automobile: M.G.L. c. 175, § 22C.

Homeowners: M.G.L. c. 175, § 99.

M.G.L. c. 175, § 22C: Auto coverage cancellable due to non-payment, fraud, license suspension or failure to comply with renewal requirements after 30 days notice.

M.G.L. c. 175, § 99: Homeowners coverage may only be cancelled at any time for non-payment, illegal act, fraud or material changes in the risk.

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

(Examiner Note: The Division interprets this standard as addressing unfair discrimination in rating. As such, the laws, regulations and bulletins referenced in this standard are identical to those referenced in Standard VI-4, since that standard also addresses unfair discrimination in rating.)

General: M.G.L. c. 175, §§ 193R and 193T.

Automobile: M.G.L. c. 175E, §§ 4 and 7A; M.G.L. c. 175, § 22E, 113K and 113N; 211 CMR 88.00; Division Bulletins 2008-17 and 2010-11.

Homeowners: M.G.L. c. 175, §§ 4C and 95B.

Commercial Automobile and Commercial Multi-peril: M.G.L. c. 175A, § 5.

Fire, Marine and Inland Marine: M.G.L. c. 174A, § 5.

M.G.L. c. 175E, § 4: Auto rates shall not be excessive, inadequate or discriminatory. Auto policyholders over age 65 get a 25% discount.

M.G.L. c. 175E, § 7A: Requirement to reverse any auto surcharges for an-fault accident if the Board of Appeals or Court reverses that determination. Also must report any surcharge reversal to any consumer reporting agency which was notified of the original surcharge.

M.G.L. c. 175, § 4C: Homeowners insurers may not discriminate based on race, color, religious creed, national origin, sex etc.

M.G.L. c. 175, § 22E: Insurers may not refuse to issue or renew an auto policy based on an insured's age, sex, race, occupation or marital status, or the vehicle's principal place of garaging.

M.G.L. c. 175, § 95B: Discrimination against abuse victims in residential property insurance sales is prohibited.

M.G.L. c. 175, § 113K: Persons aged 16 or older may purchase automobile insurance.

M.G.L. c. 175, § 113N: Prohibits medical exams as a condition of underwriting an auto policy.

M.G.L. c. 175, § 193R: For private passenger auto and homeowners insurance, group rating is allowed, but companies must offer no higher than the same rate in the individual market.

M.G.L. c. 175, § 193T: Discrimination in any insurance policy based on partial blindness, blindness, intellectual disability or physical impairment is prohibited except based on actuarial principles.

M.G.L. c. 174A, § 5: Rates for fire, marine & inland marine coverage shall be experienced based and not unfairly discriminatory.

M.G.L. c. 175A, § 5: Rates for commercial auto and multi-peril insurance shall be based on experience and shall not be unfairly discriminatory.

211 CMR 88.00: Provides procedures for individuals to appeal accident and SDIP surcharges.

Division Bulletin 2008-17: Guidelines for rating and placement of automobile policies within holding company affiliates or among risk categories within one company.

Division Bulletin 2010-11: Guidelines on rating changes and reporting as a result of Board of Appeal at-fault accident surcharge reversals.

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

General: Division Bulletin 2008-08.

Commercial Automobile and Commercial Multi-peril: M.G.L. c. 175A, § 5; 211 CMR 91.00.

Workers' Compensation: M.G.L. c. 152, § 53A; 211 CMR 110.00 and 211 CMR 113.00.

M.G.L. c. 175A, § 5: Rates for commercial auto and general liability insurance shall be based on experience and shall not be unfairly discriminatory.

M.G.L. c. 152, § 53A: Specifies a rate filing process and permits downward deviations in rates pending the Division's approval.

211 CMR 91.00: Governs activities of rating organizations, form and content of auto rate filings and the conduct of related hearings.

211 CMR 110.00: Provides guidance on workers' compensation rate filing procedures and the conduct of hearings.

211 CMR 113.00: Requires premium credits to be filed with the Division by the WCRIB.

Division Bulletin 2008-08: Guidelines for filing rate and form filings for all lines of business.

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

Workers' Compensation: M.G.L. c. 152, § 53A and 211 CMR 110.00.

M.G.L. c. 152, § 53A: Specifies a rate filing process and statistical reporting requirements for workers compensation policies that uses experience rating credits and payroll caps to ensure equitable distribution of premium based on wage differentials. Further, the Division determines rates and producer commissions for business ceded to the Commonwealth reinsurance pool.

211 CMR 110.00: provides guidance on rate filing procedures and the conduct of hearings.

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

Standard VI-14: Verification of experience modification factors.

Workers' Compensation: M.G.L. c. 152, § 53A and 211 CMR 110.00.

M.G.L. c. 152, § 53A: Specifies a rate filing process and statistical reporting requirements for workers' compensation policies that uses experience rating credits and payroll caps to ensure equitable distribution of premium based on wage differentials. Further, the Division determines rates and producer commissions for business ceded to the Commonwealth reinsurance pool.

211 CMR 110.00: Provides guidance on rate filing procedures and the conduct of hearings.

Standard VI-15: Verification of loss reporting.

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

Standard VI-17: Underwriting, rating and classification are based on adequate information developed at or near the inception of coverage, rather than near expiration or following a claim.

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

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).

(Examiner Note: This standard is essentially identical with standard VI-5 and thus the laws, regulations and bulletins are the same for both.)

General: M.G.L. c. 175, §§ 2B, 22A and 192; Division Bulletin 2008-08.

Automobile: M.G.L. c. 175, §§113A and 113H; 211 CMR 3.00; Division Bulletins 2008-13 and 2009-06.

Commercial: Division Bulletin 2008-04.

Property/Liability: M.G.L. c. 175, §§ 99, 99B and 111H; 211 CMR 131.00, Division Bulletins 2010-03 and 2011-04.

Workers' Compensation: M.G.L. c. 152, § 53A; 211 CMR 113.00 and 115.00.

M.G.L. c. 175, § 2B: Policy form language, size and content standards for all policies must meet statutory requirements for readability and understanding.

M.G.L. c. 175, § 22A: Requires filing of policy forms.

M.G.L. c. 175, § 99: Fire policy form requirements.

M.G.L. c. 175, §99B: Form authority and approval for commercial property and multi-peril condo risks.

M.G.L. c. 175, § 111H: Insurers shall cover lead exposure claims on liability policies providing coverage to an owner of premises for which a letter of interim or full compliance is in effect.

M.G.L. c. 175, § 113A: Motor vehicle policy form approval required.

M.G.L. c. 175, § 113H: Requires auto insurers to participate in assigned risk residual markets as part of their plan of operation.

M.G.L. c. 175, § 192: Endorsements must be filed with the Division prior to use.

211 CMR 3.00: Guidelines for motorcycle policies.

211 CMR 113.00 and 211 CMR 115.00: Guidance on workers' compensation deductibles.

211 CMR 131.00: Requirements, forms and rates for liability coverage for lead in housing.

M.G.L. c. 152, § 53A: Requires workers' compensation policy forms to be filed with the Division.

Division Bulletin 2008-04: Procedures for filing forms/rates for commercial terrorism coverage.

Division Bulletin 2008-08: Guidelines for filing rate and form filings for all lines of business.

Division Bulletin 2008-13: Clarification of "High Theft Vehicles" and types of anti-theft devices.

Division Bulletin 2009-06: Guidelines for commercial motor vehicle liability policy deductibles.

Division Bulletin 2010-03: Clarification on coverage for liquid fuel spills on homeowners policies.

Division Bulletin 2011-04: Clarification of terrorism coverage on commercial property risks.

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

M.G.L. c. 175, § 113S and 211 CMR 94.00.

M.G.L. c. 175, § 113S: Pre-inspection of vehicles required for all but new cars, cars of customers for the past 3 years and those for which the inspection would be a hardship.

211 CMR 94.00: Requires that pre-insurance vehicle inspections verify the VIN.

Standard VI-21: The regulated entity does not engage in collusive or anti-competitive underwriting practices.

M.G.L. c. 176D, §§ 3(4) and 3A.

M.G.L. c. 176D, § 3(4): Insurers may not use boycotting, coercion or intimidation that results in or tends to result in unreasonable restraint or monopoly in the business of insurance.

M.G.L. c. 176D, § 3A: Defines unfair & deceptive acts or practices in business of insurance insurers, non-profit hospital service corporations, medical service corporations and HMOs.

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

M.G.L. c. 175, § 193R: For private passenger auto and homeowners insurance, group rating is allowed, but companies must offer no higher than the same rate in the individual market.

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

M.G.L. c. 175, § 193R: For private passenger auto and homeowners insurance, group rating is allowed, but companies must offer no higher than the same rate in the individual market.

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

(Examiner Note: This standard addresses company cancellations and non-renewals for any reason, as well as the notices thereon. Also, since Standard VI-8 is nearly identical, the laws, regulations and bulletins are the same.)

General: M.G.L. c. 175, §§ 187C and 187D.

Personal Lines: M.G.L. c. 175, § 193R.

Private Passenger Automobile: M.G.L. c. 175, §§ 22C, 113A and 113F; 211 CMR 97.00.

Homeowners: M.G.L. c. 175, §§ 99 and 193P.

Workers' Compensation: M.G.L. c. 152, §§ 55A and 65B.

M.G.L. c. 175, § 187C and 187D: Requires insurers to provide written notice of cancellation for any insurance policy for any reason including for non-payment of premium.

M.G.L. c. 175, § 193R: Insurers may not cancel individual members of a group plan except for fraud or non-payment.

M.G.L. c. 175, § 22C: Auto coverage cancellable due to non-payment, fraud, license suspension or non-renewable for failure to comply with renewal requirements after 30 days notice.

M.G.L. c. 175, § 113A: Insurers must give 20 days' notice to cancel, must give the specific reason and must obtain a certificate of mailing receipt from post office and any return premium paid.

M.G.L. c. 175, § 113F: Insurers must give 45 days' notice to the DMV and to the insured or agent to non-renew coverage. An agent must notify the insured within 15 days of receipt of notice.

M.G.L. c. 175, § 99: Within the first 60 days of coverage, an insurer may cancel homeowners coverage by giving 5 days written notice to insured for underwriting reasons and 10 days notice for non-payment of premium. 20 days notice must be given to mortgagee in all cases. The specific reason must be given in all cases. After 60 days, the coverage may only be cancelled for non-payment, illegal act, or material changes in the risk.

M.G.L. c. 175, § 193P: Insurers must give 45 days' written notice to insured or to the agent with the specific reason stated, to non-renew homeowners coverage. Agent must notify insured within 15 days of receipt.

M.G.L. c. 152 § 55A: Allows mid-term notice of cancellation only if based on premium nonpayment, fraud affecting the policy or insured; or a substantial increase in the risk.

M.G.L. c. 152 § 65B: Written cancellation notice required to the rating organization and insured, which is effective unless the employer, within 10 days of receipt, files objection.

211 CMR 97.00: Guidelines for cancellation and non-renewal of motor vehicle policies with such notices requiring the specific reason.

Standard VI-25: All policies are correctly coded.

All Lines: M.G.L. c. 174A, § 15; M.G.L. c. 175A, § 15; 211 CMR 15.00

M.G.L. c. 174A, § 15; M.G.L. c. 175A, § 15; 211 CMR 15.00: Authority for the Division to, and establishment of statistical rating plans.

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

M.G.L. c. 175, § 98: Fire coverage for buildings requires a Division approved application to be completed and is considered to be part of the policy.

Claims

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

General: M.G.L. c. 176D, § 3(9)(b).

Workers Compensation: M.G.L. c. 152, § 7.

M.G.L. c. 176D, § 3(9)(b): Failure to acknowledge and act reasonably promptly to claim related communications is an unfair claim settlement practice.

M.G.L. c. 152, § 7: Requires the insurer to either commence payment of weekly benefits within 14 days of an insurer's receipt of an employer's first report of injury or an initial written claim for weekly benefits, or notify the Department of Industrial Accidents ("DIA"), the employer, and, the employee, of its refusal to commence payment. The notice shall specify the grounds and factual basis for the refusal to commence payment and be delivered by certified mail.

Standard VII-2: Timely investigations are conducted.

General: M.G.L. c. 176D, § 3(9)(c).

Automobile: 211 CMR 74.00.

M.G.L. c. 176D, § 3(9)(c): Failure to adopt and implement reasonable standards for prompt claim investigations is an unfair claim settlement practice.

211 CMR 74.00: Process and Standards of Fault for At-Fault Surcharge Appeals

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

General: M.G.L. c. 176D, § 3(9)(f); M.G.L. c. 175, §§ 28 and 112.

Automobile: M.G.L. c. 175, §§ 113O and 191A; 211 CMR 123.00.

Workers' Compensation: M.G. L. c. 152, § 7.

M.G.L. c. 176D, § 3(9)(f): Failure to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear is an unfair claim practice.

M.G.L. c. 175, § 28: Authorizes the Commissioner to make a report to the General Court of insurers who unduly engage in litigation, or unfairly and unreasonably deny legally valid claims.

M.G.L. c. 175, § 112: Insured satisfaction of loss final judgment is irrelevant to insurer duty to make payment; Insurer shall not deny payment due to insured's failure to report a claim.

M.G.L. c. 175, § 113O: Insurer shall not pay auto theft or comprehensive claims until insured submits claim form stating repair work described in appraisal has been completed.

M.G.L. c. 175, § 191A: Insureds must give timely notice of auto property damage loss to a company or its agent, and must report loss to police. A company must pay such claims within 60 days of receiving the proof of loss.

211 CMR 123.00: Requirements for direct payment and referral repair shop plans.

M.G.L. c. 152, § 7: Requires the insurer to either commence payment of weekly benefits within 14 days of its receipt of an employer's first report of injury or an initial written claim for weekly benefits, or to notify the DIA, the employer, and the employee of its refusal to commence payment. The notice shall specify the grounds and factual basis for the refusal to commence payment and must be delivered by certified mail.

Standard VII-4: The regulated entity responds to claims correspondence in a timely manner.

General: M.G.L. c. 176D, §§ 3(9)(b) and 3(9)(e).

Workers Compensation: M.G. L. c. 152, § 7.

M.G.L. c. 176D, § 3(9)(b): Failure to acknowledge and act reasonably promptly to claim related communications is an unfair claim settlement practice.

M.G.L. c. 176D, § 3(9)(e): Failure to affirm or deny coverage within a reasonable time after the claimant has given proof of loss is an unfair claim settlement practice.

M.G.L. c. 152, § 7: Requires the insurer to either commence payment of weekly benefits within 14 days of its receipt of an employer's first report of injury or an initial written claim for weekly benefits, or to notify the DIA, the employer, and the employee of its refusal to commence payment. The notice shall specify the grounds and factual basis for the refusal to commence payment, and must be delivered by certified mail.

Standard VII-5: Claim files are adequately documented.

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

General: M.G.L. c. 176D, §§ 3(9)(d) and 3(9)(f); M.G.L. c. 175, §§ 22I, 24D, 24E, 24F, 111F, 112 and 112C.

Automobile: M.G.L. c. 175, §§ 113J, 113O and 193K; M.G.L. c. 175E, § 7A; 211 CMR 75.00 and 133.00; 212 CMR 2.00; Division Bulletin 2008-12.

Property/Liability: M.G.L. c. 175, §§ 96, 97, 97A, 100 and 102; M.G.L. c. 139, § 3B.

Workers' Compensation: M.G. L. c. 152, §§ 7, 8, 29, 31, 33, 34, 34A, 35, 36, 36A and 50.

M.G.L. c. 176D, §§ 3(9)(d): Refusal to pay claims without conducting a reasonable investigation based upon all available information is an unfair claim settlement practice.

M.G.L. c. 175, § 3(9)(f): Failure to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear is an unfair trade practice.

M.G.L. c. 175, § 22I: Companies may retain unpaid premium due from claim settlements.

M.G.L. c. 175, § 24D: Insurers must communicate with the Department of Revenue to determine whether the claimant owes past due child support not less than 10 days prior to making payment and intercept non-recurring liability coverage payments over \$500 for those claimants with past due child support.

M.G.L. c. 175, § 24E: Insurer must exchange information with the Commonwealth not less than 10 business days prior to making a liability coverage payment over \$500 to a claimant who has received public assistance benefits.

M.G.L. c. 175, §24F: Insurer must exchange information with the Commonwealth not less than 10 business days prior to making a liability coverage payment over \$500 to a claimant who has owes back taxes.

Insurers must communicate with Commonwealth regarding claimants with unpaid taxes.

M.G.L. c. 175, § 111F: Insurers must provide medical reports to injured persons or their attorney.

M.G.L. c. 175, § 112: Insured satisfaction of loss final judgment is irrelevant to insurer duty to make payment; Insurer shall not deny payment due to insured's failure to report a claim

M.G.L. c. 175, § 112C: Insurers must reveal the limits of an insured's liability coverage to an injured party making a claim against the insured upon their written request.

MM.G.L. c. 175, § 113J: Insurers must provide medical reports to injured persons or their attorney if claimant provides all medical treatment reports to the insurer upon request.

M.G.L. c. 175, § 113O: Insurer shall not pay auto theft or comprehensive claims until insured submits claim form stating repair work described in appraisal has been completed.

MGL c. 175 193K: Insurers may not discriminate in auto claims based on race or religion.

211 CMR 75.00: Insurers must report vehicle theft to the National Insurance Crime Bureau.

211 CMR 133.00: Uniform standards for vehicle repair only when insurers pay the costs.

212 CMR 2.00: Procedures for conducting motor vehicle damage appraisals.

M.G.L. c. 175, § 96: When a building is destroyed by fire, the insurer's liability is limited to the actual cash value of the insured property.

M.G.L. c. 175, § 97: Companies must pay fire losses to mortgagees of property upon satisfactory proof of rights and title in accordance with the insurance policy.

M.G.L. c. 175, § 100: Standards for selecting a referee when there is disagreement on the loss settlement amount.

M.G.L. c. 175, § 102: Insureds under a fire policy are not precluded from recovery by failing to render a sworn statement.

M.G.L. c. 175E, § 7A: Provides that a person charged with an at-fault accident may appeal the decision to the Board of Appeals. Further, any reversal of the at-fault determination by the Board of Appeals must be communicated by the insurer to consumer reporting agencies if the original at-fault determination was provided to such consumer reporting agencies.

M.G.L. c. 139, § 3B: Companies may not pay claims in excess of \$1,000 on dangerous buildings or structures without first giving 10 days written notice to the building inspector or commissioner appointed pursuant to the state building code, to the fire department and to the Board of Health for the city or town where the property is located.

211 CMR 51.00: Workers' compensation preferred provider arrangements and requirement that the Division approve such arrangements.

M.G.L. c. 152, § 7: Requires the insurer to either commence payment of weekly benefits within 14 days of an insurer's receipt of an employer's first report of injury or an initial written claim for weekly benefits, or to notify the DIA, the employer, and the employee of its refusal to commence payment. The notice shall specify the grounds and factual basis for the refusal to commence payment, and must be delivered by certified mail.

M.G.L. c. 152, § 8: Allows an insurer to terminate or modify payments at any time within 180 days of commencement of disability without penalty, if such change is based on the actual income of the employee or if it gives the employee and the Department at least seven days written notice of its intent to stop or modify payments and to contest any claim filed. The notice shall specify the grounds and factual basis for stopping or modifying payment of benefits and the insurer's intention to contest.

M.G.L. c. 152, § 29: No compensation shall be paid for any injury which does not incapacitate the employee from earning full wages for a period of five or more calendar days. If incapacity extends for a period of 21 days or more, compensation shall be paid from the date of onset of incapacity. If incapacity extends for a period of at least five but less than 21 days, compensation shall be paid from the sixth day of incapacity. Generally, no compensation shall be paid for any period for which any wages were earned.

M.G.L. c. 152, § 31: If death results from the injury, the insurer shall pay compensation to dependents of the employee who were wholly dependent upon his or her earnings for support.

M.G.L. c. 152, § 33: requires the insurer to pay the reasonable expenses of burial not exceeding \$4,000.

M.G.L. c. 152, § 34: While incapacity is total, during each week of incapacity the insurer shall pay the injured employee compensation equal to 60 percent of his or her average weekly wage before the injury, subject to defined limits. The total number of weeks of compensation due the employee shall not exceed 156 weeks.

M.G.L. c. 152, § 34A: For injuries both permanent and total, the insurer shall pay to the injured employee, following payment of compensation provided in M.G.L. c. 152, §§ 34 and 35, a weekly compensation equal to two-thirds of the average weekly wage before the injury, subject to defined limits.

M.G.L. c. 152, § 35: When injury is partial, during each week of incapacity the insurer shall pay the injured employee a weekly compensation equal to 60 percent of the difference between the average weekly wage before the injury, and the weekly wage he or she is capable of earning after the injury, but not more than 75 percent of what the employee would receive if eligible for total incapacity benefits. An insurer may reduce the amount paid to an employee to the amount at which the employee's combined weekly earnings and benefits are equal to two times the average weekly wage in the Commonwealth at the time of such reduction.

M.G.L. c. 152, § 36: Additional sums are designated for specific injuries, provided that the employee has not died from any cause within 30 days of such injury.

M.G.L. c. 152, § 36A: States that where any loss is a result of an injury involving brain damage, a lump sum payment resulting from brain damage shall not exceed an amount equal to the average weekly wage in the Commonwealth at the date of injury multiplied by 105. Payments shall not be made where death occurs within 45 days of the injury.

M.G.L. c. 152, § 50: If payments are not made within 60 days of being claimed by an employee, dependent or other party, interest at the rate of 10% per annum of all sums due from the date of the receipt of the notice of the claim by the DIA, to the date of payment, shall be required. Whenever such sums include weekly payments, interest shall be computed on each unpaid weekly payment.

Division Bulletin 2008-12: Guidelines for coordination of benefits for PIP and health insurers.

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

Workers Compensation: M.G.L. c. 152, § 7: Requires the use of specific DIA-developed forms for workers' compensation claims.

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

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

General: M.G.L. c. 176D, §§ 3(9)(d), 3(9)(h) and 3(9)(n).

Workers' Compensation: M.G.L. c. 152, § 8, 29, 34, 34A, 35, 36A.

M.G.L. c. 176D, § 3(9)(d): Refusal to pay claims without conducting a reasonable investigation based upon all available information is an unfair claim settlement practice.

M.G.L. c. 176D, § 3(9)(h): Attempting to settle a claim for an amount less than a reasonable person believed he or she was entitled to receive is an unfair claim settlement practice.

M.G.L. c. 176D, § 3(9)(n): Failure to provide a reasonable and prompt explanation of the basis for denying a claim is an unfair claim settlement practice.

M.G.L. c. 152, § 8: Allows an insurer to terminate or modify payments at any time within 180 days of commencement of disability without penalty, if such change is based on the actual income of the employee, or if it gives the employee and the DIA at least seven days written notice of its intent to stop or modify payments and to contest any claim filed. The notice shall specify the grounds and factual basis for stopping or modifying payment of benefits, and the insurer's intention to contest.

Pursuant to M.G.L. c. 152, § 29: No compensation shall be paid for any injury which does not incapacitate the employee from earning full wages for a period of five or more calendar days. If incapacity extends for a period of 21 days or more, compensation shall be paid from the date of onset of incapacity. If incapacity extends for a period of at least five but less than 21 days, compensation shall be paid from the sixth day of incapacity. Generally, no compensation shall be paid for any period for which any wages were earned.

M.G.L. c. 152, § 34: While incapacity is total, during each week of incapacity the insurer shall pay the injured employee compensation equal to 60 percent of his or her average weekly wage before the injury, but not more than the maximum weekly compensation rate, unless the average weekly wage of the employee is less than the minimum weekly compensation rate, in which case said weekly compensation shall be equal to his average weekly wage. The total number of weeks of compensation due the employee shall not exceed 156 weeks.

M.G.L. c. 152, § 34A: Injuries both permanent and total, the insurer shall pay to the injured employee, following payment of compensation provided in §§ 34 and 35, a weekly compensation equal to two-thirds of the average weekly wage before the injury, but not more than the maximum weekly compensation rate nor less than the minimum weekly compensation rate.

M.G.L. c. 152, § 35: When injury is partial, during each week of incapacity the insurer shall pay the injured employee a weekly compensation equal to 60 percent of the difference between the average weekly wage before the injury and the weekly wage he or she is capable of earning after the injury, but not more than 75 percent of what the employee would receive if eligible for total incapacity benefits. An insurer may reduce the amount paid to an employee to the amount at which the employee's combined weekly earnings and benefits are equal to two times the average weekly wage in the Commonwealth at the time of such reduction.

M.G.L. c. 152, § 36A: Where any loss is a result of an injury involving brain damage, a lump sum payment resulting from brain damage shall not exceed an amount equal to the average weekly wage in the Commonwealth at the date of injury, multiplied by 105. Payments shall not be made where death occurs within 45 days of the injury.

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

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.

General: M.G.L. c. 176D, §§ 3(9)(g) and 3(9)(h); M.G.L. c. 175, § 28.

M.G.L. c. 176D, § 3(9)(g): Compelling insureds to initiate litigation to recover amounts due under an insurance policy by offering substantially less than the amounts ultimately recovered in actions brought by such insureds is an unfair claim settlement practice.

M.G.L. c. 176D, § 3(9)(h): Attempting to settle a claim for an amount less than a reasonable person believed he or she was entitled to receive is an unfair claim settlement practice.

M.G.L. c. 175, § 28: Authorizes the Commissioner to make a report to the General Court of insurers who make a practice of unduly engaging in litigation, or unfairly and unreasonably denying legally valid claims.

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

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

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

All Lines: M.G.L. c. 174A, § 15; M.G.L. c. 175A, § 15; 211 CMR 15.00

M.G.L. c. 174A, § 15; M.G.L. c. 175A, § 15; 211 CMR 15.00: Authority for the Division to, and establishment of statistical rating plans.