



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

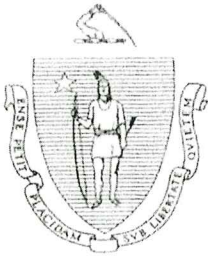
Report on the Comprehensive Market Conduct Examination of
The Premier Insurance Company of Massachusetts
Hartford, Connecticut
For the Period January 1, 2015 through December 31, 2015

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NAIC GROUP CODE: 3548

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

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GARY D. ANDERSON
ACTING COMMISSIONER OF INSURANCE

May 5, 2017

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

Dear Acting Commissioner Anderson:

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

THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS

at their home offices located at:

One Tower Square
Hartford, Connecticut 06183

The following report thereon is respectfully submitted.

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

SCOPE OF EXAMINATION

The Massachusetts Division of Insurance (the "Division") conducted a comprehensive market conduct examination ("examination") of The Premier Insurance Company of Massachusetts ("Company") for the period January 1, 2015 to December 31, 2015 focused on Massachusetts personal lines operations. The examination was called pursuant to authority in Massachusetts General Laws Chapter ("M.G.L. c.") 175, § 4. The examination was conducted at the direction of, and under the overall management and control of, the examination staff of the Division. Representatives from the firm of Rudmose & Noller Advisors, LLC ("RNA") were engaged to complete certain agreed upon procedures. The findings and observations expressed in this Report are based upon material and information provided by the Company as of November 16, 2016.

EXAMINATION APPROACH

A tailored examination approach was developed using the guidance and standards of the *2015 NAIC Market Regulation Handbook*, ("the Handbook") the examination standards of the Division, the Commonwealth of Massachusetts' insurance laws, regulations and bulletins, and selected Federal laws and regulations. All procedures were performed under the supervision of the market conduct examination staff of the Division, including procedures more efficiently addressed in the domiciliary regulator's financial examination of the Company. For those objectives, RNA and the market conduct examination staff relied on procedures performed by the domiciliary regulator's financial examination staff to the extent deemed appropriate to ensure that the market conduct objective was adequately addressed. The operational areas that were reviewed under this examination include company operations/management, complaint handling, marketing and sales, producer licensing, policyholder service, underwriting and rating and claims. This examination report describes the procedures performed in these operational areas and the results of those procedures.

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

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

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

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EXECUTIVE SUMMARY

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

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

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

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

SECTION IV-PRODUCER LICENSING

STANDARD IV-3

Findings: One agency appointment termination was not terminated in the Division's On-Line Producer Appointment ("OPRA") System until three years after the effective date of the termination in violation of M.G.L. c.175, § 162T.

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

Required Actions: The Company and its affiliates shall ensure that they timely terminate agency appointments in OPRA within 30 days of the termination effective date.

Subsequent Company Actions: The Company and its affiliates state they are ensuring that they terminate agency appointments in OPRA within 30 days of the termination effective date.

SECTION VII-CLAIMS

STANDARD VIII-6

Findings: None.

Observations: RNA's testing of private passenger automobile claims indicated that for one claim, the Company did not respond to a M.G.L. c.93A, § 9 assertion. By statute, the response is required to be delivered within 30 days. Except as noted above, RNA noted each of the tested claims was handled according to policy provisions and statutory requirements. Based upon testing and except as noted above, it appears that the Company generally handles claims in accordance with policy provisions and statutory requirements. Finally, upon evaluation of claims-related complaints, the related claims appeared to be properly handled.

Recommendations: The Company should review its procedures and adopt new controls as necessary to ensure that M.G.L. c.93A, § 9 assertion letters are responded to within 30 days. The Company should also provide training or guidance to staff about these new controls and procedures.

Subsequent Company Actions: The Company has reviewed its procedures and conducted training to ensure that responses to M.G.L. c.93A, § 9 assertion letters are timely provided.

STANDARD VIII-14

Findings: RNA private passenger automobile claim testing noted that for one at-fault accident claim, which was a bodily injury claim, a Surcharge Notice was not provided to the at-fault operator in violation of M.G.L. c.175E, § 7A. Further, the Company did not report the claim to the MRB in violation of 211 CMR 134.00.

Observations: RNA noted that selected loss data appears to be accurate and complete for tested claims. Based upon testing, the Company appears to have processes for timely and accurately reporting of loss statistical data to rating bureaus in accordance with its policies and statutory requirements. Finally, except as noted above, at-fault accident determinations and comprehensive claims were timely reported to the MRB, and Surcharge Notices were properly provided to at-fault operators.

Required Actions: The Company shall report the bodily injury claim to the MRB and provide the Surcharge Notice to the at-fault operator. In addition, the Company shall review its controls and procedures, and adopt any new controls as necessary, to ensure that Surcharge Notices are properly and timely provided to at-fault operators with the claims timely reported to the MRB. The Company shall also provide training or guidance to staff about these controls and procedures. Finally, the Company shall conduct a detailed internal or compliance audit by September 30, 2017, or another date acceptable to the Division, to ensure that these required actions have been implemented. The Company shall provide the internal or compliance audit report to the Division.

Subsequent Company Actions: The Company has completed the above required actions including a compliance audit to ensure that processes and controls are functioning properly.

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COMPANY BACKGROUND

The Company is an indirect wholly-owned subsidiary of The Travelers Companies, Inc. ("Travelers") and specializes in writing private passenger automobile coverages in the Commonwealth of Massachusetts. The product is marketed via the brand name Travelers and is distributed through independent agents. The Company re-domiciled to Connecticut from Massachusetts effective December 1, 2014.

The Company maintains a financial strength rating of "A" (Excellent) from A.M. Best. The following financial information is as of, or for the year ended December 31, 2015:

Admitted assets	\$307.2 million
Statutory surplus	\$234.0 million
Massachusetts direct written premium	\$74.0 million

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

I. COMPANY OPERATIONS/MANAGEMENT

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

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

Objective: This Standard addresses the audit function and its responsibilities. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's statutory financial statements are audited annually by an independent auditor.
- The Company's Board of Directors and Audit Committee are responsible for compliance matters. The Audit Committee has a formal charter, and membership consists of seven independent directors who meet at least quarterly.
- The Travelers corporate audit department reports directly to the Audit Committee of the Company's Board of Directors, with dotted line reporting to the Chief Financial Officer. The Chief Auditor meets with the Audit Committee quarterly, and the Audit Committee charter requires periodic meetings separately with management, the Chief Auditor, the General Counsel, and the independent auditor to discuss any important matters.
- The corporate audit department includes 92 people in four locations. The organizational structure is aligned with Travelers business divisions and geographies, which includes the following programs: Personal Insurance, Business and International Insurance, Claim Services, Bond and Specialty Insurance, Corporate Services, Operations, and Information Technology. A Program Director, who manages the audit teams that complete the annual audit plan, is assigned to each of these programs.
- The audit plan is developed in the fall of each year in consultation with the Audit Committee, with final approval by the Audit Committee in February of the following year. The audit plan is based on frequency guidelines, which consider the current risk rating, as well as the prior control rating to determine frequency, with input from senior management and the Audit Committee. High risk areas are audited annually, while medium and low risk areas are audited less frequently. The internal audit plan also includes "assurance initiatives," which evaluate new or significantly changed systems, new vendors, third party administrators, state specific compliance issues, and controls supported with service organization reporting and attestation.
- Each quarter, the Chief Auditor meets with the Audit Committee and reports on the results for the past quarter, with standing agenda items such as an audit report summary, status of management's corrective actions, past due issues, corporate audit department resources, and regulatory updates. Each finding identified by the corporate audit department requires management to provide a written corrective action plan, and the corporate audit department monitors the status of these plans.
- Travelers corporate compliance function primarily focuses on compliance matters related to regulatory and market conduct issues, code of conduct and business ethics, privacy matters, Office of Foreign Asset Control ("OFAC") requirements, and other corporate policies and guidelines.
- The Company is subject to periodic premium and loss data audits by Commonwealth Automobile Reinsurers ("CAR") for compliance with statutes and CAR Rules of Operation. CAR is the industry-operated residual market and statistical agent for automobile insurance in Massachusetts. Participation in CAR is mandatory for all insurers writing private passenger automobile insurance in Massachusetts.

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- The Company's business center completes at least four annual underwriting quality assurance audits to evaluate underwriting decisions, documentation, and timeliness. Extensive audits of vacated surcharges from the Board of Appeal are also annually completed.
- For claims quality management, claim unit managers randomly review two claims per claim professional each month. In addition, the Company's national quality management team randomly evaluates claim files from various claim offices. Results are reported for each claim professional for use by management as part of the employee training and coaching.

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

Transaction Testing Procedure: RNA reviewed the Company's Board of Directors minutes, various internal audit reports, a summary of underwriting quality assurance audits, and a summary of claims quality management results.

Transaction Testing Results:

Findings: None.

Observations: The Board of Director minutes, internal audit reports, summary of underwriting quality assurance audits, and summary of claims quality management results reviewed by RNA provided detailed information on the corporate governance practices, audit procedures performed, audit findings, and recommendations for improvement. Our review indicated that the Company is generally in compliance with its policies, procedures and regulatory requirements.

Recommendations: None.

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

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

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

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

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

- The Company's Special Investigation Unit ("SIU") includes six examiners in Massachusetts, who complete investigations for potential claim and underwriting fraud, when requested by various operational areas. The results of the investigations are reported to the operational areas for consideration, and conclusions about fraud are made by those operational areas.
- SIU is responsible for coordinating with the Massachusetts Insurance Fraud Bureau ("IFB") in cases where fraud is believed to have occurred, to assist with criminal investigation and

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prosecution. Auto thefts are reported through the Insurance Services Office ("ISO") to the National Insurance Crime Bureau ("NICB"). For agent or employee fraud investigations, the Internal Investigations Department completes those assessments.

- All Company employees are annually required to attest that they meet the code of conduct. Also, all employees are required to complete annual code of conduct training. Travelers has a 24-hour hotline to take comments and questions from employees about the code of conduct and other matters.
- Travelers performs pre-employment criminal background checks on all new hires. In addition, criminal background checks on employees of selected functions (e.g., claim adjusters that may enter individuals' homes) are updated on a periodic basis (typically 3-5 years). A third-party vendor conducts the investigations, and the Company adjudicates the results. Travelers reviews convictions potentially involving dishonesty or breach of trust, and Travelers generally does not consider anyone whom it knows has been convicted of a felony that implicates the federal Violent Crime Control and Law Enforcement Act to be eligible for hire.
- The Company has implemented OFAC compliance initiatives including searches of the Specially Designated Nationals ("SDN") database for any payees, customers or vendors that might be included in the SDN database.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

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

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

- The Company uses independent field appraisers to supplement its employee field staff in limited situations. The Company uses third-party vendors for auto glass claims, towing services, car rentals, and to review medical provider invoices. Also, various local outside counsel are sometimes utilized to represent the Company on bodily injury claims.
- The Company uses a third-party vendor to conduct pre-employment background checks and investigations, and the Company adjudicates the results.
- The Company uses a standard agency contract for its independent agencies with standard terms and conditions addressing agent authorities, premium accounting, suspension of agent authorities, agent termination, ownership of expirations, indemnification, commissions, binding arbitration, notice procedures, privacy requirements, compliance with Federal crime laws, and producer licensure requirements. The Company completes criminal background checks of the agency principals and license checks prior to extending agency appointment offers.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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Controls Assessment: See Standard I-5.

Controls Reliance: See Standard I-5.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

Standard I-7. Records are adequate, accessible, consistent and orderly and comply with record retention requirements.
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Objective: This Standard addresses the adequacy and accessibility of the Company's records. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company has adopted record retention requirements, which are monitored by the Records Management Steering Committee.
- The record retention requirements include guidelines for management, maintenance, and disposal of records.
- A record retention schedule includes the length of time specific documents must be retained.

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

Transaction Testing Procedure: RNA inquired about the Company's record retention policies and evaluated them for reasonableness.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

Controls Reliance: Not applicable.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

Objective: This Standard addresses the Company's cooperation during the examination. See Appendix A for applicable statutes, regulations and bulletins.

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

Controls Reliance: Not applicable.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

Objective: This Standard addresses the Company's policies and procedures to ensure it minimizes improper intrusion into the privacy of individuals. See Appendix A for applicable statutes, regulations and bulletins.

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

- Company policy requires that a consumer privacy notice be provided to applicants when a new and renewal insurance policy is issued. The privacy notice further describes the type of information it retains, where it gets the information, who has access to the information, and how a consumer may get access to the information on file about him or her. The Company also provides its internet privacy policy on its website.
- The privacy notice states that it does not sell customer information to marketing companies. Travelers does not use joint marketing relationships. Offering opt out rights is not required, since the Company does not share information with non-affiliates. The Company does not sell consumer information to anyone.
- Company policy allows for the sharing of personal financial and health information with affiliates and non-affiliates, who provide services to the Company. Company policy is to disclose information only as required or permitted by law to regulators, law enforcement agencies, antifraud organizations, and third parties, who assist the Company in processing business transactions for its customers.
- Company management states that it does not obtain investigative consumer reports on customers as part of underwriting, and that the Company does not conduct pretext interviews.
- Company policy requires that its information technology security practices safeguard nonpublic personal financial and health information. The Company annually conducts information systems risk assessments to consider, document and review information technology security threats and controls, and to continually improve information technology systems security.
- Only individuals approved by Company management are granted access to the Company's key electronic and operational areas where nonpublic personal, financial and health information is located.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

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

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

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

Transaction Testing Results:

Findings: None.

Observations: The Company is not required to offer opt out rights, since the Company does not share information with non-affiliates.

Recommendations: None.

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

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

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Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

Objective: This Standard addresses the Company's annual reporting of statutorily-required NAIC Market Conduct Annual Statement ("MCAS") personal lines data. See Appendix A for applicable statutes, regulations and bulletins.

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

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

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

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for underwriting and claims processing. RNA also reviewed the 2015 Massachusetts MCAS data for unusual results and data consistency.

Transaction Testing Results:

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Findings: None.

Observations: RNA's review of the Company's 2015 Massachusetts MCAS data indicated that underwriting and claims data appeared reasonable and consistent with examination data.

Recommendations: None.

II. COMPLAINT HANDLING

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

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

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

Controls Assessment: The following controls were noted in review of all complaint Standards:

- The Company defines a complaint as any oral or written correspondence expressing a grievance received from the Division, Attorneys General, Better Business Bureau, an insured, or a third-party claimant.
- Complaint handling is coordinated by the corporate compliance department consumer affairs staff. Notification of complaints is received by regular mail, email, and fax. All complaints are logged into a centralized electronic complaint database called Travelers Consumer Affairs Tracking System ("TCART") to track response due dates, the nature of the complaint, the disposition, and other key information. After reviewing the complaint for content, staff email a copy to designated individuals within the business unit responsible for writing the response. Claims complaints are sent to the claims unit, and responses are reviewed by claims managers. All other complaints are sent to the Company's business center for a response and review by supervisory personnel. The operational areas send the response to the complainant or entity providing the complaint within required timelines. A copy of the response is sent to the corporate compliance department consumer affairs staff to complete the remaining data elements in TCART.
- Concerns expressed by phone in operational areas are summarized in writing by those operational units.
- Travelers uses social media to promote brand awareness. The Company monitors these social media sites daily and responds to any negative posts within 24 hours by providing information to those making negative comments on how to contact the Company with claim or policy specific information.
- The Company's complaint register includes business group name, received date, response date, TCART number, Division number, complainant name, reason, disposition, product type, underwriting company, and status.
- The Company provides a telephone number and address in its written responses to complaints and consumer inquiries, and on its web-site.
- Complaint statistics are compiled from TCART, and trends are analyzed with unusual activity monitored. Monthly reports are prepared for business units use analyzing and tracking complaint trends. In addition, the business center also prepares a monthly complaint report for review by the business unit. Also, a quarterly report of aggregate complaint data summarizes complaint statistics for senior management with any unusual trends or indicators explained. Quarterly complaint data and any serious issues identified through complaints are reported to the Audit Committee of the Board of Directors.
- The Company conducts post-claim e-mail surveys of first-party claimants regarding claim handling experience. The survey results and a net promoter score are summarized for management reporting. Any negative comments from respondents are tracked, addressed and monitored. These are not considered complaints, but the Company tracks, researches and responds to those comments.

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

Transaction Testing Procedure: RNA interviewed management and staff responsible for complaint handling, and examined evidence of the Company's related processes and controls. RNA reviewed the Company's complaint registers for 2014-2015 to evaluate the Company's compliance with statutory complaint requirements. RNA also reviewed the Company's complaint registers for 2014-2015 to determine whether they properly contained all Division complaints.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: RNA interviewed management and staff responsible for complaint handling, and examined evidence of the Company's related processes and controls. RNA tested six regulatory and nine Company complaints from 2014-2015, to evaluate the Company's compliance with statutory complaint requirements. RNA reviewed the complaint handling for these complaints, including the adequacy of documentation supporting the facts and resolution of the complaints. In addition, RNA reviewed the Company's website and communications to consumers, to determine whether the Company provides contact information for consumer inquiries.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: RNA interviewed management and staff responsible for complaint handling, and examined evidence of the Company's related processes and controls. RNA tested six regulatory and nine Company complaints from 2014-2015 to evaluate the Company's efforts to properly dispose of complaints.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: RNA interviewed management and staff responsible for complaint handling, and examined evidence of the Company's related processes and controls. RNA tested six regulatory and nine Company complaints from 2014-2015, to evaluate the Company's complaint response times.

Transaction Testing Results:

Findings: None.

Observations: The Company appeared to address timely each of the tested Division complaints

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within 14 days, unless additional time to respond was approved by the Division. Complaints sent directly to the Company also appeared to be addressed timely. The Company appears to respond to complaints in a timely manner in accordance with its policies, procedures, and regulatory requirements.

Recommendations: None.

III. MARKETING AND SALES

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

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

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

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

- The Company has no advertising or sales materials provided to the public. However, Travelers has an extensive nationwide brand awareness and advertising presence.
- Travelers uses social media to promote brand awareness.
- The Company uses affinity discounts to market its policies to employer-sponsored groups, credit unions, and associations.
- The Company and Travelers disclose their names and addresses on their websites.

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

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for sales and marketing. RNA reviewed various social media websites used by Travelers. RNA also reviewed the Company's website for disclosure of its name and address. Finally, RNA sought any sales and marketing materials noted as part of new and renewal business testing for any evidence of use of unapproved sales and marketing materials.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

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- Producer sales and marketing training is tailored to meet the needs of the Company's independent agencies under contract with the Company.
- The Company's five Massachusetts marketing sales executives manage the agency force. To monitor agency performance, the sales executives conduct periodic agency visits to provide training and answer questions about the Company's products, processing requirements, and underwriting guidelines.
- The Company completes agency audits to ensure that agents retain signed applications and support for premium discounts.

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

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for sales and marketing, and for providing training to independent agents.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

Standard III-3. Regulated entity communications to producers are in compliance with applicable statutes, rules and regulations.
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Objective: This Standard addresses whether the written and electronic communication between the Company and its producers is in accordance with Company policies and procedures. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard III-2.

Controls Reliance: See Standard III-2.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

Objective: This Standard addresses the Company's marketing to individuals as members of employer or other groups by the Company's producers in accordance with regulatory requirements and Company policies and procedures. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company uses affinity discounts to market its policies to employer-sponsored groups, credit unions, and associations.
- The Company has written underwriting and rating policies and procedures designed to reasonably assure consistency in classification and rating for mass marketing plans offered to individuals who are members of employer-sponsored groups, credit unions, and associations.
- The Company's mass marketing plans are filed with the Division for approval.
- Company policy prohibits unfair discrimination in the application of premium discounts and surcharges, and in the application of its general rating methodology, in accordance with statutory and regulatory requirements for mass marketing plans.

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

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for implementation of mass marketing plans offered to individuals, who are members of employer-sponsored groups, credit unions, and associations. RNA reviewed affinity discounts granted to such individuals as part of new and renewal business, and motorcycle premium testing, to ensure that the discounts agreed to those approved by the Division.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, procedures for implementation of mass marketing plan offered to individuals, who are members of employer-sponsored groups, credit unions, and associations appear appropriate and reasonable. As part of new and renewal business, and motorcycle premium testing, RNA noted two policies where affinity discounts were properly provided to insureds.

Recommendations: None.

IV. PRODUCER LICENSING

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

Standard IV-1. Regulated entity records of licensed and appointed (if applicable) producers and in jurisdictions where applicable, licensed company or contracted independent adjusters agree with insurance department records.

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

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

- All prospective independent agencies and agency principals must undergo operational, financial, and criminal background checks prior to agency appointment.
- The Company uses a standard agency contract for its agencies with standard terms and conditions addressing agent authorities, premium accounting, suspension of agent authorities, agent termination, ownership of expirations, indemnification, commissions, binding arbitration, notice procedures, privacy requirements, compliance with Federal crime laws, and producer licensure requirements.
- Business entity and individual agent appointments are processed through the Division's OPRA System using the appointment effective date.
- The Company completes monthly periodic checks to ensure that the Company's appointment listing and OPRA data are consistent, accurate, and complete. Errors identified are processed and corrected.

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

Transaction Testing Procedure: RNA interviewed individuals with responsibility for producer contracting and processing of agent appointments. RNA selected 25 private passenger automobile policies issued or renewed during the examination period, to determine whether the agency for each policy was included on the Division's list of the Company's appointed agencies. Also, as part of the agency appointment termination testing, any unusual appointment information was reviewed.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

- Producer sales and marketing training is tailored to meet the needs of the Company's independent agencies under contract with the Company.
- The Company's five Massachusetts marketing sales executives manage the agency force. To monitor agency performance, the sales executives conduct periodic agency visits to provide training and answer questions about the Company's products, processing requirements, and underwriting guidelines.
- Independent agencies are solely responsible for maintaining their producer licensing and continuing education requirements.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

- All Massachusetts agency terminations are processed through the Division's OPRA system using the date of entry, which is shortly after the effective date of the termination.
- The Company's policy is to give written notice to all agencies whose appointments are terminated.
- The Company's policy is to give additional information to the Division about agencies whose appointments are terminated "for cause" including the reason for the termination.

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- The Company completes monthly checks to ensure that the Company's appointment listing and OPRA data are consistent, accurate, and complete. Errors identified are processed and corrected.

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

Transaction Testing Procedure: RNA interviewed individuals with responsibility for producer contracting and appointment termination processing. RNA selected 11 agency appointment terminations and compared those to information on the Division's appointment termination records. Further, RNA reviewed evidence that notices to the Division and the agencies complied with statutory requirements.

Transaction Testing Results:

Findings: One agency appointment termination was not terminated in the Division's OPRA System until three years after the effective date of the termination in violation of M.G.L. c.175, § 162T.

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

Required Actions: The Company and its affiliates shall ensure that they timely terminate agency appointments in OPRA within 30 days of the termination effective date.

Subsequent Company Actions: The Company and its affiliates state they are ensuring that they terminate agency appointments in OPRA within 30 days of the termination effective date.

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

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

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

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

Transaction Testing Procedure: RNA interviewed individuals with responsibility for producer contracting, appointments and terminations. In conjunction with testing of 25 private passenger automobile policies issued or renewed, and 11 agency appointment terminations during the examination period, RNA reviewed documentation for any evidence of unfair discrimination against policyholders resulting from the Company's producer appointment and termination policies.

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Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: See Standard IV-3.

Controls Reliance: See Standard IV-3.

Transaction Testing Procedure: RNA interviewed individuals with responsibility for producer contracting and appointment termination processing. RNA selected 11 agency appointment terminations during the examination period, and reviewed the reasons for each appointment termination. RNA also inquired about any agency that was terminated "for cause" during the examination period.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's internal records adequately document reasons for agency appointment terminations. One of the tested appointment terminations was "for cause" as defined by statute, and timely notice of that termination was provided to the Division.

Recommendations: None.

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

No work performed. This Standard is not covered in the scope of examination because the Company direct bills substantially all premium. Thus, excessive debit account balances are not a significant issue. If material debit account balances existed, they would be evaluated in the 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.
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Objective: This Standard addresses whether the Company provides policyholders with sufficient advance notice of premiums due. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's private passenger automobile policy premiums are direct billed to customers, who may pay the premium in full, or make payments in nine installments. Some affinity groups also offer payroll deduction. Payments are accepted using a check, money order, online banking, electronic payment via a web-based agency processing system, or electronic funds transfer ("EFT") in 10 installments. A down payment of 20% is generally required.
- Installment billing notices are sent to customers approximately 20 days in advance of the due date. If payment is not received and the available policy equity date is 27 days or less, a non-pay cancellation notice is issued with an effective date of 27 days later. If the available policy equity date is between 27-56 days, a non-pay cancellation notice is issued 27 days prior to the equity date. If the available policy equity date is 57 days or greater, an invoice is issued based on the billing cycle for the past due amount, plus the new monthly installment. If no payment is received within the 27-day period, the policy is cancelled seven days after the cancellation effective date.
- For EFT payments rejected for insufficient funds, a second attempt to process the EFT is made by the bank, and if it is rejected, the check is returned as insufficient funds.
- The Company reports uncollected earned private passenger automobile premium to the Registry of Motor Vehicles ("RMV"), and does not report such delinquencies to consumer reporting agencies.
- The Company's call center representatives answer questions from policyholders about billing. The Company has developed standards for call center representatives, and monitors compliance with those standards.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

- A private passenger automobile policyholder may cancel his or her policy only after filing a Form 2A-Notice of Transfer of Coverage, proof that the vehicle has been taken out of service, or evidence that the policyholder has moved out of Massachusetts.
- Policy cancellation requests from insureds typically are made through the agencies, who may process the requests electronically, or who may direct the Company to process the cancellations. The Company will honor any written request from the insured, or process the cancellation if a request is made through the call center when the insured insists, and provide notice of the cancellation to the agency.
- Any unearned premium resulting from an insured-requested cancellation is refunded directly to the customer using both short rate and pro-rata calculations, as 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: RNA interviewed Company personnel with responsibility for policyholder service and tested 10 private passenger automobile insured-requested cancellations from the examination period, to ensure that the cancellation requests were processed accurately and timely.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

- The Company views its agencies as the primary owner of the relationship with the insureds. All policyholder service requests and correspondence, except for annual mileage updates, billing address changes, billing method and frequency changes, or billing questions are referred to the agency for handling, unless the insured contacts the call center, and insists that the call center process the policy change.
- Call center metrics such as speed to answer, abandoned calls, average wait time, and others are measured against key performance indicators. Quality assurance call monitoring is also performed.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

No work performed. The Company has not entered into assumption reinsurance agreements.

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

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

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

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

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

- The Company has implemented procedures to locate lost owners via Company records, inquiries of agents, and searches of public databases.
- Premium refund checks not cashed after 90 days result in reminder letters sent to the customer. Un-cashed claim checks are initially handled in the claims unit prior to being referred to the Treasury department for tracking and, if necessary, escheatment. The claims staff will contact the agency, and search the claim file, RMV records, and public records to locate a current address.
- The Company's Treasury department monitors the aging of un-cashed checks to comply with Massachusetts law. Three months prior to escheatment, a final letter is sent to the last address notifying the payee that the check is still outstanding and that it will be escheated shortly. Once these efforts are exhausted, and after three years, the funds are deemed abandoned property and escheated.
- The Company annually reports escheatable funds to the Massachusetts State Treasurer by November 1st as required by statute.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

Objective: This Standard addresses return of the correctly calculated unearned premium in a timely manner when policies are cancelled. See Standard V-2 for review and testing of the calculation and return of unearned premium. See Appendix A for applicable statutes, regulations and bulletins.

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

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

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

- Requests for claims history are generally handled through the insured's agency.
- When requested by the policyholder, the Company's call center will provide the policyholder with his or her claims history and paid loss information.
- Call center metrics such as speed to answer, abandoned calls, average wait time, and others are measured against key performance indicators. Quality assurance call monitoring is also performed.

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

Transaction Testing Procedure: RNA discussed with Company personnel its policies and procedures for responding to policyholder inquiries regarding claims history and paid loss information. Further, RNA reviewed claim documentation for any evidence of the Company being non-responsive to policyholder inquiries on claim history and paid loss information in testing of underwriting and rating, claims, complaints, and policyholder service.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

VI. UNDERWRITING AND RATING

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

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

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

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

- The Company has written underwriting and rating policies and procedures designed to reasonably assure consistency in classification and rating.
- Company policy prohibits unfair discrimination in the application of premium discounts and surcharges, and in the application of its general rating methodology, in accordance with statutory and regulatory requirements.
- Underwriting is generally automated with most applications accepted, electronically rated, and processed using standard underwriting algorithms.
- The Company's underwriting system interfaces with the RMV to obtain real-time information on Massachusetts and out-of-state drivers.
- The Company has many Division-approved affinity groups and related discounts. Individual risks within these groups cannot be cancelled or non-renewed.
- The Company uses the standard Massachusetts merit rating system with slight modifications to the MRB Safe Driver Insurance Plan ("SDIP") applied to its policies.
- Private passenger automobile rates are based on the Automobile Insurer's Bureau of Massachusetts ("AIB") Manual with modifications, with all rates filed with the Division prior to use. Motorcycle rating for comprehensive and collision coverages is based on original cost new.
- Private passenger automobile underwriting criteria include license status, driving history, and driver experience, among other factors. The Company does not use credit or insurance scores in private passenger automobile underwriting or rating.
- The Company's claim system interfaces with the Company's underwriting system, which allows the reporting of at-fault and other required claims to the MRB. Any at-fault claim over \$500 must be reported to the MRB for inclusion in the driver's SDIP. The Company does not report at-fault accident determinations to the Comprehensive Loss Underwriting Exchange ("CLUE"). The Company's Surcharge Notice includes notice to the driver that the driver may appeal the at-fault determination through the Board of Appeal. If the driver appeals the at-fault accident determination, the Company will send a representative to the Board of Appeal hearing. If the at-fault determination is vacated by the Board of Appeal, the underwriting function will receive an MRB Notice to Re-inquire, notifying the Company of the appeal decision and directing the Company to remove the at-fault determination. The Company will provide any premium credit due the insured.
- All approved rates are loaded in the Company's new business processing system and are tested extensively prior to use. Also, personal lines product management staff manually test various policies to ensure that the rates have been properly programmed consistent with the Company's filed rates.

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- The Company is subject to periodic premium data audits by CAR for compliance with statutes and CAR Rules of Operation. CAR is the industry-operated residual market and statistical agent for automobile insurance in Massachusetts. Participation in CAR is mandatory for all insurers writing private passenger automobile insurance in Massachusetts.
- The Company's business center completes at least four annual underwriting quality assurance audits to evaluate underwriting decisions, documentation, and timeliness. Extensive audits of vacated surcharges from the Board of Appeal are also annually completed.

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

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for the underwriting and rating processes. RNA selected 25 private passenger automobile policies issued or renewed during the examination period, to test rate classifications and underlying policy information. For each of these test selections, RNA verified that each policy's premium and discounts complied with statutory and regulatory requirements, and that premium charges were accurate. RNA also selected 25 motorcycle policies to test rates charged, and valuations used for comprehensive and collision coverages. Finally, RNA tested 50 vacated 2014-2015 at-fault accident determinations by the Board of Appeal for accurate and timely reversal of premium surcharges.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company appears to calculate policy premiums and discounts in compliance with its policies, procedures, and statutory requirements, and in compliance with rates filed with the Division. RNA testing of motorcycle premiums determined that the Company properly determined original cost new for optional collision and comprehensive coverages. Also, testing of vacated surcharges indicated that vacated surcharges by the Board of Appeal were properly and timely reversed in accordance with statutory and regulatory 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 controls were noted in review of this Standard:

- The Company has written policies and procedures for processing new and renewal business.
- The Company's supervisory procedures and system's controls are designed to ensure that new business submissions are accurate and complete, including the use of all Company-required forms and instructions.
- The Company provides private passenger automobile information guides and other sales disclosures to consumers electronically or by mail.

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- The Company's insurance policies and attachments provide disclosures as required by statutory and regulatory guidelines.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

Objective: This Standard addresses illegal rebating, commission cutting or inducements, and requires that broker commissions adhere to the commission schedule. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company has procedures for paying agency commissions in accordance with written agency contracts.
- The Company's agency contracts, policies, and procedures are designed to comply with statutory underwriting and rating requirements, which prohibit special inducements and rebates.

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

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

Transaction Testing Results:

Findings: None.

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

procedures, and statutory requirements.

Recommendations: None.

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

Objective: This Standard addresses whether unfair discrimination is occurring in insurance underwriting, primarily related to rating. See Standard VI-1 for testing of premium rating, Standard VI-7 for testing of declinations, and Standard VI-8 for testing of company-initiated cancellations and non-renewals. See Appendix A for applicable statutes, regulations and bulletins.

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

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

Controls Assessment: The following controls were noted in review of this Standard and Standard VI-19:

- Company policy requires the use of the standard Massachusetts automobile policy forms and endorsements. The Company uses the AIB Massachusetts private passenger automobile form, which has been approved by the Division.
- Company policy requires that all policy forms and endorsements be filed and approved by the Division prior to use.
- Approved forms and endorsements must be used when providing quotes to customers.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

- The Company has written underwriting and rating policies and procedures, which are designed to reasonably assure consistency in classification and rating.
- Any changes in policy coverage must be requested through the agency.
- Pre-insurance inspections are required for new coverage of used private passenger automobiles, unless waived in accordance with rules filed with 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: RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 25 private passenger automobile policies issued or renewed during the examination period, to test whether new and renewal policies and endorsements were issued timely, accurately and completely. Also, RNA verified that for the private passenger automobile policies tested, the Company complied with pre-insurance inspection requirements when necessary.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company issues new and renewal policies and endorsements timely, accurately and completely. In addition, private passenger automobile policies were issued in compliance with pre-insurance inspection requirements.

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

- Company policy prohibits unfair discrimination in underwriting in accordance with statutory requirements.
- Written Company underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks on a consistent and fair basis.
- The Company accepts most private passenger automobile applications with the risks electronically rated using standard underwriting algorithms.

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- The Company's independent agents provide private passenger automobile applicants with oral notices, when applicants do not meet the Company's minimum standards for coverage.

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

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 20 private passenger automobile declinations processed during the examination period to ensure that declinations were not unfairly discriminatory.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, declinations for insurance coverage were not unfairly discriminatory. Oral declination notices were provided to applicants declined coverage.

Recommendations: None.

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

Objective: This Standard addresses notices to policyholders for company-initiated cancellations and non-renewals, including advance notice before expiration for cancellations and non-renewals. Declination procedures are reviewed in Standard VI-7. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company provides written notice of private passenger automobile company-initiated cancellations to policyholders in accordance with statutory requirements. The Company's policy is to give written notice of cancellation to private passenger automobile policyholders, and the specific reason for the cancellation at least 20 days prior to the cancellation effective date, and 10 days prior for non-payment of premium.
- The Company notifies agencies of pending non-renewals, and sends the non-renewal notices to the agencies approximately 60 days prior to policy expiration, with the specific non-renewal reasons stated on the notices. The agencies have 15 days to either replace coverage with different carriers, or send the non-renewal notices to the insureds.

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

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 15 private passenger automobile company-initiated cancellation transactions and 50 private passenger automobile non-renewal transactions for testing. All transactions were evaluated for compliance with statutory requirements.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

- Company policy requires compliance with underwriting guidelines in accordance with statutory requirements.
- Written Company underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks.
- The Company states that although rare, the legal department must approve rescissions, which are given only for significant material misrepresentations or fraud.

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

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for the underwriting process. RNA inquired about the extent of Massachusetts rescissions during the examination period.

Transaction Testing Results:

Findings: None.

Observations: Based upon review, policies and procedures for rescissions appear reasonable. The Company states that no Massachusetts rescissions were processed during the examination period.

Recommendations: None.

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

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

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

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

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

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

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

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

Standard VI-14. Verification of experience modification factors.

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

Standard VI-15. Verification of loss reporting.

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

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

No work performed. This Standard is not covered in the scope of examination as the examination was

focused on personal lines business.

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

Objective: This Standard addresses whether underwriting, rating and classification decisions are based on adequate information developed at, or near, inception of the coverage, rather than near expiration or following a claim. See Appendix A for applicable statutes, regulations and bulletins.

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

- Company policy and practice prohibits unfair discrimination in underwriting in accordance with statutory requirements.
- Written Company policies and procedures are designed to reasonably assure consistency in the application of underwriting guidelines, rating classifications, premium discounts and surcharges determined at, or near, the inception of coverage.
- Written Company underwriting guidelines are designed to reasonably assure appropriate acceptance and rejection of risks on a proper, consistent and fair basis.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendation: None.

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

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

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

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

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

Objective: This Standard addresses whether the Company verifies that the VIN and vehicle symbol submitted with the application is valid and accurate. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company has written underwriting and rating policies and procedures, which are designed to reasonably assure consistency in classification and rating.
- The agents are responsible for obtaining the VIN and vehicle symbol when the application is completed.
- Company policy and procedures require that pre-insurance inspections of vehicles verify the VIN and vehicle symbol.
- The Company's underwriting system compares the VIN and vehicle symbol to its industry database to ensure that both are accurate.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

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

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

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

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's underwriting policies and practices do not appear to be collusive or anti-competitive.

Recommendations: None.

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

Objective: This Standard addresses whether unfair discrimination is occurring in insurance underwriting for mass marketing plans offered individuals as members of employer or other groups. See Standard VI-7 for testing of declinations. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company has written underwriting and rating policies and procedures designed to reasonably assure consistency in classification and rating for mass marketing plans offered to individuals who are members of employer-sponsored groups, credit unions, and associations.
- The Company's mass marketing plans are filed with the Division for approval.

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- The Company uses affinity discounts to market its policies to employer-sponsored groups, credit unions, and associations.
- Company policy prohibits unfair discrimination in the application of premium discounts and surcharges, and in the application of its general rating methodology, in accordance with statutory and regulatory requirements for mass marketing plans.

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

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

Standard VI-25. All policies are correctly coded.

Objective: This Standard addresses the accuracy of statistical coding. See Appendix A for applicable statutes, regulations and bulletins.

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

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

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

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

- Company policy requires that the underwriting files support underwriting and rating decisions.
- Agencies submit applications electronically to the new business processing area. Properly completed applications are to include applicant and agency producer electronic signatures.
- Underwriting systems controls are designed to ensure electronic applications are complete.
- Certain risks are referred to the underwriting department to determine whether they should be accepted or rejected.

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

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for the underwriting process. RNA selected 10 private passenger automobile policies issued during the examination period, to test whether the applications were properly completed, and whether policy files adequately support the Company's decisions.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, applications were properly completed, and policy files adequately supported the Company's decisions.

Recommendations: None.

VII. CLAIMS

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

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

Objective: This Standard addresses the timeliness of the Company's initial contact with the claimant. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard and through Standard VII-13:

- The Company's claims handling process is organized in four functional areas including automobile physical damage, no-fault medical and personal injury protection, automobile liability, and appraisal. The claim handling employees are organized in units with a supervisory structure in place to ensure settlement authorities and Company procedures are followed.
- The Company uses third-party vendors for automobile glass claims, towing services, car rentals, and review of medical provider invoices. The Company uses independent field appraisers to supplement its employee field staff in limited situations.
- Claims are documented and processed using an internally-developed electronic work flow system for claims assignment, file documentation, and financial reporting.
- First notice of loss is typically reported through the Company's 800 telephone number, by fax, by contact from an agency, or contact from an attorney. Key information such as the claimant's name, policyholder information, policy number, accident date, location, and extent of injuries is obtained and recorded in the claim system.
- Once a claim is reported, a claims adjuster is assigned. The Company's policy is to contact claimants within one day. Once an automobile claim is reported, an appraiser is dispatched to adjudicate the claim within two business days.
- The Company has established a preferred repair shop program, where approved body shop work is warranted by the Company.
- The Company follows standard industry and CAR claim handling guidelines in its claim investigations including Massachusetts standards of fault. Information from police reports, witness statements, photographic evidence, and consumer reporting agencies is used to evaluate the claim. Claims are investigated to determine existence of coverage, and then an initial liability determination is made.
- The Company does not use industry bodily injury outcome tools in assessing damages ranges for bodily injury claims. Bodily injury claim evaluations are maintained to document the claim professional's evaluation of general and special damages. The Company's general practice is to make settlement offers based on estimated settlement values, and to track all revisions to the estimates. Changed estimates outside settlement authority are reviewed with management and documented in the claim file. Individual claim settlement authority limits are assigned to claim professionals commensurate with their experience.
- The Company reports all closed automobile bodily injury claims to the AIB Detail Claims Database as required in Massachusetts. OFAC checks of all claimants against the SDN list are completed using vendor software.
- The Company's claim system interfaces with the Company's underwriting system, which allows the underwriting function to report at-fault, and other required claims to the MRB. Any at-fault

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claim over \$500 must be reported to the MRB for inclusion in the driver's SDIP. The Company does not report at-fault accident determinations to CLUE. The Company must provide a "Surcharge Notice" to the driver noting the driver may appeal the at-fault determination through the Board of Appeal. If the driver appeals the at-fault accident determination, the Company will send a representative to the Board of Appeal hearing. If the at-fault determination is vacated by the Board of Appeal, the underwriting function will receive an MRB Notice to Re-inquire, notifying the Company of the appeal decision and directing the Company to remove the at-fault determination. The Company will provide any premium credit due the insured.

- Company policy is to comply with claim settlement performance standards established by CAR and those set forth in statute.
- The Company's SIU includes six examiners in Massachusetts, who complete investigations for potential claim and underwriting fraud, when requested by various operational areas. The results of the investigations are reported to the operational areas for consideration, and conclusions about fraud are made by those operational areas. SIU is responsible for coordinating with the Massachusetts IFB in cases where fraud is believed to have occurred, to assist with criminal investigation and prosecution. Auto thefts are reported through the ISO to the NICB.
- Reservation of rights and excess loss letters are issued when potential coverage issues arise. The adjusters are trained to complete Department of Revenue intercept checks and to document the search results in Company's claim system. Underwriting risk referrals are made to the underwriting department when necessary. Third-party property damage claimants are generally not required to sign a liability release unless there is a settlement dispute or property claims exceeding a dollar threshold. Releases are routinely required from third party bodily injury claimants.
- Criteria for unit managers' periodic reviews of the claim professionals' work have been established, and such reviews are documented. From the claim system data, the Company monitors workloads of claim professionals. In addition, the claim system allows daily, weekly, and monthly claim reporting of key service and quality metrics.
- For claims quality management, claim unit managers randomly review two claims per claim professional each month. In addition, the Company's national quality management team randomly evaluates claim files from various claim offices. Results are reported for each claim professional for use by management as part of the employee training and coaching.
- The Company conducts post-claim e-mail surveys of first-party claimants regarding claim handling experience. The survey results and a net promoter score are summarized for management reporting. Any negative comments from respondents are tracked, addressed and monitored.

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

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA verified the date each selected claim was recorded by the Company, and noted whether the initial contact with the claimant was timely acknowledged.

Transaction Testing Results:

Findings: None.

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

functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

Standard VII-2. Timely investigations are conducted.

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA tested each selected claim noting whether the investigations were conducted in a timely manner, and whether the investigations were complete.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA tested each selected claim noting whether the claims were resolved in a timely manner.

Transaction Testing Results:

Findings: None.

Observations: RNA noted each of the tested claims was resolved in a timely manner in accordance with Company's policies and statutory requirements related to timely handling. Based upon testing, it appears that the Company's processes for timely handling claims are functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

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

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA tested each selected claim noting whether the Company timely responded to general claim correspondence.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

Standard VII-5. Claim files are adequately documented.

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

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Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA reviewed the file for each selected claim, and noted whether the documentation was adequate.

Transaction Testing Results:

Findings: None.

Observations: RNA noted each of the tested claims was adequately documented according to the Company's policies and procedures. Based upon testing, it appears that the Company's processes for documenting claim files are functioning in accordance with its policies and procedures.

Recommendations: None.

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

Objective: The Standard addresses whether the claim appears to have been paid for the appropriate amount to the appropriate claimant/payee, and whether the Company meets specific Massachusetts regulatory requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA reviewed the file for each selected claim, and noted whether the claim was properly handled in accordance with policy provisions and statutory requirements. Finally, RNA reviewed the Company's complaint log for complaints that were claim-related and tested eight claim-related complaints.

Transaction Testing Results:

Findings: None.

Observations: RNA's testing of private passenger automobile claims indicated that for one claim, the Company did not respond to a M.G.L. c.93A, § 9 assertion. By statute, the response is required to be delivered within 30 days. Except as noted above, RNA noted each of the tested claims was handled according to policy provisions and statutory requirements. Based upon testing and except as noted above, it appears that the Company generally handles claims in accordance with policy provisions and statutory requirements. Finally, upon evaluation of claims-related complaints, the related claims appeared to be properly handled.

Recommendations: The Company should review its procedures and adopt new controls as necessary to ensure that M.G.L. c.93A, § 9 assertion letters are responded to within 30 days. The Company should also

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provide training or guidance to staff about these new controls and procedures.

Subsequent Company Actions: The Company has reviewed its procedures and conducted training to ensure that responses to M.G.L. c.93A, § 9 assertion letters are timely provided.

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

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA reviewed the file for each selected claim, and verified that required claim forms were appropriately used.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA reviewed the file for each selected claim, and noted whether claim reserves were evaluated, established and adjusted in a reasonably timely manner. The Division's financial examiners and actuaries also tested reserving in conjunction with the most recent financial examination of the Company.

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Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected 15 denied or closed-without-payment private passenger automobile claims for testing. RNA evaluated whether the Company handled these claims timely and properly before closing or denying them.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA reviewed the file for each selected claim, and noted whether claim practices appeared to compel claimants to institute litigation to recover amounts due under the policies by offering substantially less than would be due under the policies, and whether the Company attempted to settle claims for less than reasonable amounts due under the policies.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA reviewed the file for each selected claim, and noted whether reservation of rights or excess of loss letters were warranted and issued as appropriate.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

Objective: The Standard addresses whether the Company accurately and timely issues deductible reimbursements upon subrogation recovery. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA reviewed each selected claim file, and noted whether deductible reimbursement to insureds upon subrogation recoveries were reasonably timely and accurate.

Transaction Testing Results:

Findings: None.

Observations: RNA noted no subrogation recoveries in the claims tested, and as such, no deductible reimbursement to insureds was required. Based upon review and testing, it appears that the Company's processes for making deductible reimbursement to insureds upon subrogation recoveries are functioning in accordance with its policies and procedures.

Recommendations: None.

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

Objective: The Standard addresses the Company's complete and accurate reporting of loss statistical data to appropriate rating bureaus. See Appendix A for applicable statutes, regulations and bulletins.

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

- Company policy is to report complete and accurate loss data timely to appropriate rating bureaus.
- The Company reports private passenger automobile loss data to CAR in a format required by CAR. The Company is subject to periodic loss data audits by CAR for compliance with statutes and CAR Rules of Operation.
- The Company also reports loss data to the AIB rating bureau that represents the Massachusetts insurance industry.
- The Company has processes to reconcile statistical and financial data, to correct data coding errors, and to make subsequent reporting changes, as needed.

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

Transaction Testing Procedure: RNA interviewed Company personnel to understand its loss statistical reporting processes, and obtained documentation supporting such processes. RNA selected private passenger automobile claims including 40 paid claims, 15 denied or closed-without-payment claims, and 20 open claims for testing. RNA reviewed each selected claim file and noted whether selected loss data was accurate and complete. Additionally, during private passenger automobile claims testing, RNA assessed whether at-fault accident determinations were properly reported to the MRB with Surcharge Notices timely provided to operators in accordance with statutory and regulatory requirements.

Transaction Testing Results:

Findings: RNA private passenger automobile claim testing noted that for one at-fault accident claim, which was a bodily injury claim, a Surcharge Notice was not provided to the at-fault operator in violation of M.G.L. c.175E, § 7A. Further, the Company did not report the claim to the MRB in violation of 211 CMR 134.00.

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

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requirements. Finally, except as noted above, at-fault accident determinations and comprehensive claims were timely reported to the MRB, and Surcharge Notices were properly provided to at-fault operators.

Required Actions: The Company shall report the bodily injury claim to the MRB and provide the Surcharge Notice to the at-fault operator. In addition, the Company shall review its controls and procedures, and adopt any new controls as necessary, to ensure that Surcharge Notices are properly and timely provided to at-fault operators with the claims timely reported to the MRB. The Company shall also provide training or guidance to staff about these controls and procedures. Finally, the Company shall conduct a detailed internal or compliance audit by September 30, 2017, or another date acceptable to the Division, to ensure that these required actions have been implemented. The Company shall provide the internal or compliance audit report to the Division.

Subsequent Company Actions: The Company has completed the above required actions including a compliance audit to ensure that processes and controls are functioning properly.

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SUMMARY

Based upon the procedures performed in this examination, RNA has reviewed and tested Company Operations/Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims as set forth in the *2015 NAIC Market Regulation Handbooks*, the examination standards of the Division, and the Commonwealth of Massachusetts' insurance laws, regulations and bulletins. RNA has provided recommendations and required actions to the Company to address standards in Producer Licensing and in Claims.

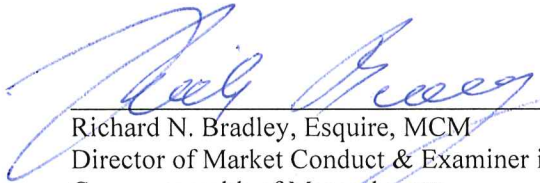
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ACKNOWLEDGEMENT

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

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

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



Richard N. Bradley, Esquire, MCM
Director of Market Conduct & Examiner in Charge
Commonwealth of Massachusetts
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Boston, Massachusetts