



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

Report on the Comprehensive Market Conduct Examination of
Safety Indemnity Insurance Company
Safety Insurance Company
Safety Northeast Insurance Company
Safety Property and Casualty Insurance Company
Boston, Massachusetts

For the Period January 1, 2023, through December 31, 2023

NAIC COMPANY CODES: 33618, 39454, 16893, 12808

EMPLOYER ID NUMBERS: 04-3051706, 04-2689624, 85-3900435, 20-5985347

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

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ERIC PALEY
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LAYLA R. D'EMILIA
UNDERSECRETARY

MICHAEL T. CALJOUW
COMMISSIONER

November 13, 2025

The Honorable Michael T. Caljouw
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
One Federal Street, Suite 700
Boston, Massachusetts 02110-2012

Dear Commissioner Caljouw:

In accordance with your instructions and Massachusetts General Laws, Chapter 175, § 4, a comprehensive review has been conducted of the market conduct affairs of

Safety Indemnity Insurance Company
Safety Insurance Company
Safety Northeast Insurance Company
Safety Property and Casualty Insurance Company

at their home offices located at:

20 Custom House Street
Boston, MA 02205-5089

The following report thereon is respectfully submitted.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF
SAFETY INDEMNITY INSURANCE COMPANY
SAFETY INSURANCE COMPANY
SAFETY NORTHEAST INSURANCE COMPANY
SAFETY PROPERTY AND CASUALTY INSURANCE COMPANY

ACRONYMS

Agent Virtual Community (“AVC”)
Automated Clearing House (“ACH”)
Better Business Bureau (“BBB”)
Board of Appeal (“BOA”)
Chief Executive Officer (“CEO”)
Commonwealth Automobile Reinsurers (“CAR”)
Commonwealth of Massachusetts Division of Insurance (“the Division”)
Company’s Board of Directors (“Board”)
Comprehensive Loss Underwriting Exchange (“CLUE”)
Customer Relationship Management Group (“CRM”)
Division’s Online Producer Appointment System (“Cratchit”)
Fair Credit Reporting Act (“FCRA”)
Insurance Services Office (“ISO”)
Market Regulation Handbook (“The Handbook”)
National Association of Insurance Commissioners (“NAIC”)
National Insurance Crime Bureau (“NICB”)
New England Association of Insurance Fraud Investigators (“NEAIFI”)
Office of Foreign Asset Control (“OFAC”)
Quality Assurance (“QA”)
Risk Intelligence Gateway System (“RIG”)
Safety Insurance Company (“SIC”)
Safety Indemnity Insurance Company (“SIIC”)
Safety Northeast Insurance Agency (“SNIA”)
Safety Property and Casualty Insurance Company (“SPCIC”)
Safety Northeast Insurance Company (“SNIC”)
Special Investigative Unit (“SIU”)
Specially Designated Nationals and Blocked Persons List (“SDN”)

SCOPE OF EXAMINATION

The Massachusetts Division of Insurance (the “Division”) conducted a comprehensive market conduct examination (“examination”) of Safety Indemnity Insurance Company (“SIIC”), Safety Insurance Company (“SIC”), Safety Property and Casualty Insurance Company (“SPCIC”), and Safety Northeast Insurance Company (“SNIC”), collectively, the “Company”, for the period January 1, 2023, to December 31, 2023, focusing on personal line operations. The examination was called pursuant to Massachusetts General Laws Chapter (“M.G.L.”) c. 175, § 4. In addition, the Division engaged representatives from the firm of INS Regulatory Insurance Services, Inc. (“INS”) to conduct the examination under the direction, management, and control of the market conduct examination staff of the Division.

EXAMINATION APPROACH

The examination employed a tailored approach, utilizing the guidance and standards outlined in the 2023 NAIC Market Regulation Handbook (“the Handbook”), the examination standards of the Division, the Commonwealth of Massachusetts insurance laws, regulations, bulletins, and applicable Federal laws and regulations. Examiners performed all procedures under the supervision of the Division’s market conduct examination staff, including procedures more efficiently addressed in the Division’s financial examination of the Company. To ensure that they adequately addressed the market conduct objective, where appropriate,

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INS and the Division staff relied on procedures performed by the Division's financial examination staff as part of statutory financial examinations. The operational areas reviewed under this examination include company operations and management, complaint handling, marketing and sales, producer licensing, policyholder service, underwriting and rating, and claims. This examination report describes the procedures and results of those procedures performed in these operational areas.

The Handbook provides guidance on optional processes and procedures for use during the examination and includes an approach designed to detect incidents of deficiency through transactional testing. The examination also has an operational and management assessment component. The assessment fosters an understanding of the key controls employed to operate the business and achieve essential business objectives, including measures designed to ensure compliance with applicable laws and regulations in market conduct activities.

This examination report constitutes a "Report by Test," as described in Chapter 15, Section A of the Handbook. An examination "finding" represents a violation of Massachusetts insurance laws, regulations, or bulletins. While an "observation" recognizes a departure from the industry's best practices. The recommendations accompanying the observation provide acceptable alternative practices. The Division recommends that Company management evaluate any "finding" or "observation" for applicability to other jurisdictions. When applicable, the Company should take corrective action in all jurisdictions. All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify improper or non-compliant business practices does not constitute acceptance of such practices. The Company shall report to the Division on any such corrective actions taken.

REQUIRED ACTIONS

SECTION VI-UNDERWRITING AND RATING

Vacated At-Fault Accident Determination Practices:

Findings: The Company is not reporting vacated driver at-fault surcharges correctly and in a timely manner to the Lexis Nexus Comprehensive Loss Underwriting Exchange ("CLUE") as required by M.G.L. c. 175E § 7A and 211 CMR 134.00 "Safe Driver Insurance and Merit Rating Plans," and Massachusetts Division of Insurance Bulletin 2010-11 "Reporting and Rating Requirement."

The Division's 2018 Market Conduct Examination of the Safety Group also noted some discrepancies in the reporting of vacated at-fault accident surcharges to CLUE, and the Company had agreed to implement changes to the process in place at that time.

Required Actions: The Company must implement adequate procedures to ensure that CLUE (or other data collection agency) is notified within fifteen days of the date the Company is notified by the BOA or a court of competent jurisdiction that a driver's at-fault surcharge has been vacated. The Company must submit a report detailing the procedures on or before March 20, 2026, to the Massachusetts Division of Insurance.

Subsequent Company Actions: The Company is implementing process improvements, including but not limited to robust internal monitoring of assigned staff, to ensure the timely reporting to CLUE of all vacated at-fault accident determinations. The Company anticipates that the monitoring system and any necessary staff training will be completed by March 20, 2026. Additionally, the Company plans to complete the required audit of the CLUE reporting process by December 31, 2026.

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Also, in accordance with the RSA in Appendix B, the Company shall pay a fine of \$27,250 for the violations of M.G.L. c. 175E § 7A and 211 CMR 134.00 “Safe Driver Insurance and Merit Rating Plans,” and Massachusetts Division of Insurance Bulletin 2010-11 “Reporting and Rating Requirement.” Additionally, the Company is subject to re-examination by the Division within the next 18 months.

Underwriting Declination Practices:

Findings: INS examiners reviewed twelve policies (12) that were declined for a low credit score or other credit-related reasons. Applicants who are declined insurance for credit-related reasons must receive an Adverse Determination Notice (“Notice”) as required by the Fair Credit Reporting Act (“FCRA”) 15 U.S.C. § 1681m § 615(a), and M.G.L. c. 93, § 62. The Company could not verify that the Notices were sent for nine of the twelve applications. The remaining three applicants received Notices, but not within the ten-day requirement of M.G.L. c. 93, § 62. The Company delegated the distribution of the Notices to the selling agents but did not adequately monitor the agents’ compliance with this requirement.

The Division’s 2018 Market Conduct Examination of the Safety Group included a Finding noting the Company’s failure to ensure that FCRA Notices were sent to all applicants who were declined insurance coverage due to credit scores or credit-related reasons.

Required Actions: The Company shall ensure that FCRA adverse action notices are sent within the ten-day time frame as required by M.G.L. 93, § 62, to homeowner applicants not meeting the Company’s minimum threshold for credit-based insurance scores or formally declined coverage for any credit-related reason. The Company shall retain evidence of mailing for five years as documentation that the adverse action notices were sent to such applicants. Additionally, the Company shall provide training and guidance for its staff and agents on the procedures and requirements applicable to FCRA Notices. The Company must submit a report detailing the procedures on or before March 20, 2026, to the Massachusetts Division of Insurance. Finally, the Company shall conduct a detailed internal audit by December 31, 2026, or another date acceptable to the Division, to ensure that these required actions have been properly implemented. The Company shall provide the internal audit report to the Division of Insurance.

Subsequent Company Actions: The Company is implementing process improvements, including but not limited to robust monitoring and distribution of the Adverse Action Notifications to applicants who have been denied coverage or experienced a reduction in coverage due to a credit-based insurance score by the Company’s Underwriting department. The Company anticipates that the monitoring system and any necessary internal training will be completed, and a report submitted to the Division of Insurance, confirming that the revised procedures are in place, by March 20, 2026. Additionally, the Company plans to complete an audit of the revised Adverse Action Notice distribution system by December 31, 2026.

Also, in accordance with the RSA in Appendix B, the Company shall pay a fine of \$6,000 for violations of the Fair Credit Reporting Act (“FCRA”) 15 U.S.C. § 1681m § 615(a), and M.G.L. c. 93, § 62. Additionally, the Company is subject to re-examination by the Division for these matters within the next 18 months.

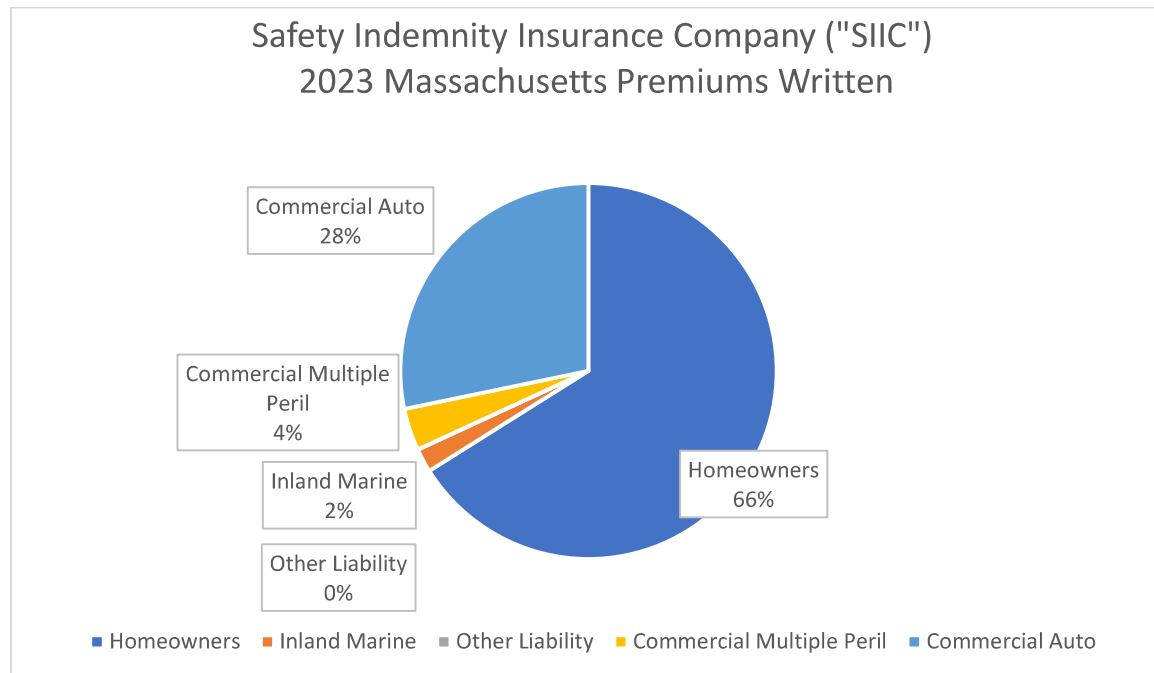
Re-Examination:

After completion of the re-examination conducted within 18 months of the execution of this RSA, as referenced in the RSA in Appendix B, the Commissioner may require an additional fine of up to \$33,250 if the error rate exceeds the maximum error rate for the violations listed for either of the two findings and as outlined in the RSA.

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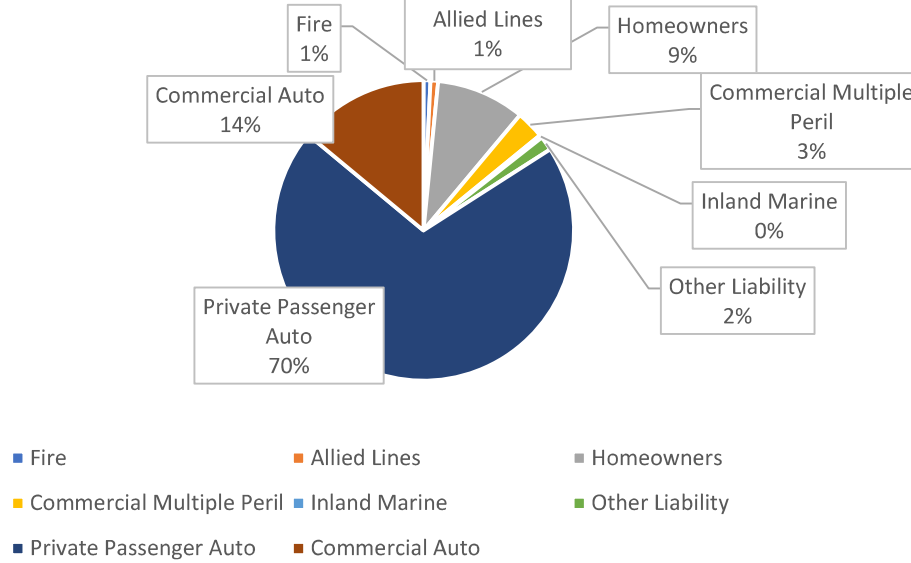
COMPANY BACKGROUND

Safety Insurance Group, Inc. is the controlling company for a group of insurers that includes Safety Insurance Company (“SIC”), Safety Indemnity Insurance Company (“SIIC”), Safety Property and Casualty Insurance Company (“SPCIC”), and Safety Northeast Insurance Company (“SNIC”). Operating exclusively in Massachusetts, New Hampshire, and Maine, the Company writes property and casualty insurance products, including private passenger automobile, commercial automobile, homeowners, dwelling fire, umbrella, and business owner policies. The Company is a servicing carrier for commercial automobile business for the Commonwealth Automobile Reinsurers (“CAR”), the state’s assigned risk pool. A pooling agreement exists among SIC, SIIC, SPCIC, and SNIC, with participation levels of 85% (SIC), 9% (SIIC), 3% (SPCIC), and 3% (SNIC), respectively. The Company maintains an A.M. Best group financial strength rating of A (Excellent) with a stable outlook. The following financial information is for the year ended December 31, 2023:

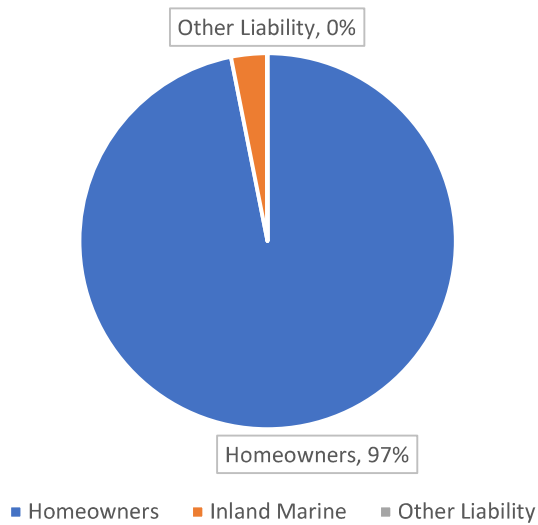


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Safety Insurance Company ("SIC")
 2023 Massachusetts Premiums Written

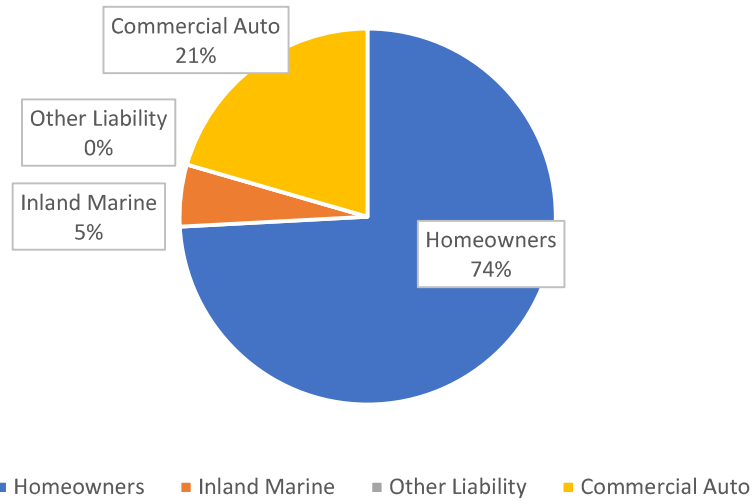


Safety Northeast Insurance Company
 2023 Massachusetts Premiums Written



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Safety Property and Casualty Insurance Company
2023 Massachusetts Premiums Written



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The following financial information is as of or for the year ended December 31, 2023:

Safety Indemnity Insurance Company:	
Admitted assets	\$ 188.0 million
Statutory surplus	\$ 93.9 million
Direct written premium	\$ 208.1 million
Massachusetts business-direct written premium	\$ 196.2 million
Safety Insurance Company	
Admitted assets	\$1,716.2 million
Statutory surplus	\$ 744.9 million
Direct written premium	\$ 749.7 million
Massachusetts business-direct written premium	\$ 713.1 million
Safety Property Northeast Insurance Company	
Admitted assets	\$ 41.3 million
Statutory surplus	\$ 11.3 million
Direct written premium	\$ 1.9 million
Massachusetts business - direct written premium	\$ 1.9 million
Safety Property Casualty Insurance Company	
Admitted assets	\$ 61.8 million
Statutory surplus	\$ 31.2 million
Direct written premium	\$ 31.5 million
Massachusetts business - direct written premium	\$ 30.5 million

I. COMPANY OPERATIONS/MANAGEMENT

Corporate Governance:

Summary of Company Policies and Procedures:

- The Company's Board of Directors ("Board") includes the President and Chief Executive Officer ("CEO") and seven independent directors with experience in several critical disciplines, including insurance, finance and accounting, technology, human resources, leadership, operations, general business management, strategy, law, and consumer rights.

Two (2) committees elected by the Board of Directors of note include:

- **Nominating & Governance Committee:** The Committee assists the Board in identifying individuals qualified to become Board members, recommends director nominees for the annual shareholders' meetings, takes a leadership role in shaping the Company's corporate governance, and oversees the evaluation of the Board and its committees.
- **Audit Committee:** The Audit Committee oversees the management of risks associated with accounting, auditing, financial reporting, and internal controls over financial reporting. The Audit Committee meets at least quarterly. At each quarterly meeting, it holds executive sessions with the independent auditors and the Risk, Audit, and Compliance Director, excluding management. The Audit Committee is responsible for reviewing and discussing the guidelines and policies governing the risk assessment and management of the Company's risk exposures. Additionally, the Audit Committee, as part of its risk management oversight, collaborates with management to monitor and mitigate such exposures.
- **Compensation Committee:** The Committee shall assist in fulfilling the Board's oversight responsibilities relating to compensation including, but not limited to: (i) reviewing and making recommendations to the Board on the Company's compensation practices and policies; (ii) determining or recommending to the Board for determination, the salaries and incentive compensation of the CEO and all other executive officers; and (iii) administering and interpreting the Company's equity-based plans. The Committee shall also prepare the report required to be included in the Company's annual proxy statements pursuant to the rules promulgated by the United States Securities and Exchange Commission.

Disaster Recovery:

Summary of Company Policies and Procedures:

- The Company has a disaster recovery plan in place that considers key operational risks. The plan is designed to minimize the disruption of essential functions and reduce the Company's exposure to financial loss in the event of an incident. The business has a backup location in Northborough, MA, that can be used temporarily in the event of a disruption in operations at the home office, located at 20 Custom House Street, Boston, MA.

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- In the event of a disaster, the Safety Executive, headed by the President and CEO, will be responsible for directing the implementation of the Business Resumption Plan as needed. All Board members are kept up to date on the status of the implementation and when the Company resumes normal operations.

Examination Procedures Performed: INS interviewed Company personnel responsible for corporate governance, internal and external audit, compliance risk assessment, disaster recovery, and quality assurance processes.

Examination Conclusions: The Company appears to have adopted policies and procedures to ensure appropriate audits or reviews are conducted in a timely manner and with documented results.

Antifraud Efforts:

Summary of Company Policies and Procedures:

- The Vice President of Claims, working with the Company's Special Investigative Unit ("SIU"), is responsible for overseeing anti-fraud activities.
- All auto losses are reviewed using proprietary software and following other claim guidelines, including review of Commonwealth Automobile Reinsurers' potential fraud indicators that aid the adjuster in identifying possible fraudulent claims. The Company's adjusters also use external databases such as Insurance Services Office ("ISO") (ClaimSearch), National Insurance Crime Bureau ("NICB"), Automobile Insurance Bureau ("AIB") database (Detail Claim Database ("DCD")), MA Registry of Motor Vehicles, LexisNexis and other public databases to assist in their efforts to gather information. Losses meeting certain conditions are submitted to the SIU for consideration of further investigation. Adjusters use a fraud screening questionnaire that is part of the Company's claim system to determine whether the claim should be referred to claims management, who, if warranted, will refer the matter to the SIU.
- The SIU consists of one manager and three field investigators who will handle the claims and underwriting issues received in the department. The SIU manager will review any issues relating to the Consumer Protection Act (M.G.L. Chapter 93A).
- The SIU staff regularly attends industry meetings/seminars to stay current on fraud-related issues. Such meetings include the New England Association of Insurance Fraud Investigators ("NEAIFI") and the New England Chapter of the International Association of Special Investigation Units annual Joint Training Seminars, monthly NICB Mini Medical Task Force Meetings, monthly NEAIFI seminars/meetings, and various Insurance Fraud Bureau ("IFB") seminars.
- SIU staff communicates training opportunities to Claims staff and coordinates in-house training sessions for newly hired adjusters in conjunction with the Casualty Claims Trainer.
- The Company's Underwriting Department reviews Massachusetts Automobile Insurance Plan policies to identify and eliminate fraud. Specific underwriters, specially trained in fraud identification, review all new policies for accuracy and to rule out misrepresentations, omissions, and actual fraud.
- "Tip Sheets" provided by the Claims staff help Underwriting identify potential fraud issues during their review of risks. In some cases, Underwriting will review all policies written by a specific agency to identify any discrepancies and handle them accordingly.
- The Company's Claims Administration Department submits quarterly reports to Commonwealth Automobile Reinsurers for all denied claims. The adjuster updates the Automobile Insurers Bureau's

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Detail Claim Database daily with auto casualty closed claim data, indicating cost containment. Automobile injury claims data is transmitted to the DCD monthly. The Company reports all theft claims to the NICB.

- For Office of Foreign Asset Control's ("OFAC") compliance purposes, the Company uses DXC Patriot Protector software to screen all claimants against the OFAC Specially Designated Nationals and Blocked Persons List ("SDN") list.
- The Company conducts criminal background checks of candidates prior to hiring new employees to comply with U.S. Code 1033 regarding convicted felons.

Examination Procedures Performed: INS interviewed Company personnel responsible for anti-fraud initiatives, compliance procedures, and code of ethical conduct policies. Additionally, INS reviewed the Company's policies and procedures to address anti-fraud initiatives as part of claims and underwriting testing.

Examination Conclusions: The Company has adopted reasonable anti-fraud procedures. Based on underwriting and claims testing, the Company appears to have effective anti-fraud initiatives in place to detect, prevent, and investigate fraudulent insurance acts.

Third-Party Outsourcing:

Summary of Company Policies and Procedures:

- The Company's sales distribution in Massachusetts is primarily through independent agents, except for business that flows through the Company's wholly owned insurance agency, Safety Northeast Insurance Agency ("SNIA").
- Independent claim appraisers are utilized as needed and provide on-site inspections and investigations for claims.
- The Company contracts with vendors to provide various claim handling functions. The Company oversees and monitors vendors' service performance.
- The Company's Internal Audit department conducts regular audits of these vendors.

Examination Procedures Performed: INS interviewed management about the Company's use of third-party administrators who perform Company functions, and the monitoring procedures conducted over these third parties.

Examination Conclusions: Based on review and testing, it appears that the Company's contracts with entities assuming a business function on its behalf comply with statutory and regulatory requirements. The Company oversees these entities.

Record Retention:

Summary of Company Policies and Procedures:

- The Company has adopted record retention requirements for documents and records.
- The requirements include record management maintenance, disposal guidelines, and document-specific retention timelines.

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- Annually, the record retention policy is reviewed by the Director of Legal for compliance with state law. The Director of Legal coordinates with the functional directors of the Company to ensure compliance with the Company's departments

Examination Procedures Performed: INS obtained a copy of the Company's record retention schedule and evaluated it for reasonableness.

Examination Conclusions: The Company's record retention schedule appears reasonable.

Privacy Compliance:

Summary of Company Policies and Procedures:

- The Company issues a Privacy Notice to existing insureds annually by inserting a copy with the renewal premium statement during print and mail processing. Similarly, the Company issues a privacy notice to new insureds by mailing a copy along with the first premium statement. The Company also provides a copy of the privacy notice on the public website.
- The vendor responsible for printing premium statements, Broadridge Output Solutions, uses a software program that reads the privacy notice indicator and includes the Privacy Notice with the policyholder's premium invoice. The vendor provides monthly inventory reports, and the Company monitors these reports to see that the use of the Privacy Notice is consistent with expectations.
- The Company has developed and implemented information technology security policies and practices to safeguard non-public personal and health information.
- The Company restricts access to customer information to only those employees and others who need to know such information to perform their duties or for legitimate business purposes.
- The Company restricts access to physical locations where customer information is stored. The Company maintains appropriate security measures and safeguards for electronic customer information and has implemented controls to prevent employees from providing customer information to persons seeking it through fraudulent means. Additionally, the Company has taken measures to protect customer information against physical loss, destruction, or damage.
- The Company only shares nonpublic personal information with nonaffiliated third parties as permitted by the exceptions in the Gramm-Leach-Bliley Act §502 and 16 C.F.R. Part 313.

Examination Procedures Performed: INS interviewed Company personnel responsible for privacy compliance and reviewed supporting documentation.

Examination Conclusions: Based on INS testing, the billing print vendor utilized by the Company, along with the Company's overall billing practices and procedures, appears to meet the statutory and regulatory requirements of Massachusetts and the federal government.

II. COMPLAINT HANDLING

Summary of Company Policies and Procedures:

- Complaints come to the Company through various means, including from a regulator (i.e., Attorney General's Office or Division of Insurance), the Better Business Bureau ("BBB"), written communications directed to the President of Safety Insurance Group, or from social media platforms such as Facebook and Twitter.
- The Company defines a complaint as any written correspondence expressing a grievance. It includes those received from the Division, the Attorney General, the BBB, letters addressed to the President of Safety Insurance, and complaints expressed on social media platforms such as Facebook and Twitter. Concerns expressed by phone in operational areas are addressed within those operational units and are not recorded as complaints.
- All written complaints are sent to the Claims Administration Department for logging and tracking. A representative in the Claims Administration reads the complaint, indexes the claim or policy number, and identifies the operational area to address the complaint. The Claims Administration representative uploads the complaint and any attachments into the Risk Intelligence Gateway system ("RIG"). The complaint and all attachments are electronically distributed through RIG, which triggers an email notification to the operational area manager with a copy to those on the internal distribution list for that operational area and the associated Vice President. Claims Administration maintains a backup copy of complaints.
- For all written consumer complaints, operational area managers are required to respond in writing. The Claims Administration section monitors the complaint through the RIG system to ensure timely resolution.
- For all regulatory complaints, the RIG system is used to track and respond to the complaint in writing within the required timeframe as set by the regulatory authority, electronically, or in the form requested.
- All oral complaints are handled in the proper operational area and are not recorded as complaints.
- The Company has a monthly complaint report that is sent to management. This report shows year-to-year and month-to-month comparisons of complaint counts by complaint type. Complaint types include Attorney General, Better Business Bureau, Division of Insurance, direct consumer, and social media.

Examination Procedures Performed: INS interviewed management and staff responsible for complaint handling and examined evidence of the Company's related processes and controls. Further, INS:

- a) Reviewed the Company's complaint registers for 2023 to evaluate compliance with complaint requirements and ensure that they contained all Division complaints.
- b) Reviewed all 76 governmental complaints to assess the Company's compliance with statutory complaint requirements. INS reviewed the complaint handling for these complaints, including the adequacy of documentation supporting the facts and resolution of the complaints, the proper disposal of complaints, and the timeliness of the Company's responses, and
- c) Reviewed all 38 consumer, social media, and BBB complaints to assess the Company's compliance with statutory complaint requirements. INS reviewed the complaint handling, including the adequacy of documentation supporting the facts and resolution, the proper disposal of complaints, and the timeliness of the Company's responses.

Examination Conclusions: Based on testing, the Company's complaint registers and procedures meet Massachusetts' statutory and regulatory requirements.

III. MARKETING AND SALES

Summary of Company Policies and Procedures:

- The Company has approximately 840 agents in three states, including approximately 700 agents in Massachusetts.
- The Company will periodically appoint new agents in areas targeted for growth. When a prospective producer is evaluated for appointment, the Company's marketing representatives obtain evidence of the agency or agent producer license, a three-year loss history, and a copy of the producer's errors and omissions insurance declaration page.
- Although the Company's sales distribution in Massachusetts is primarily through independent agents, sales also occur through the. SNIA operates as an independent agency representing numerous property and casualty, as well as surplus lines, companies. The agency writes approximately \$45M in premiums, of which the Company writes 10%.
- Agency relationships are managed through six Massachusetts marketing representatives, who regularly visit the agencies to provide guidance and training on new products, sales assistance, and performance evaluations.
- The Company's Customer Relationship Management ("CRM") Group also conducts agency audits when a potential problem exists with the agents' underlying policy or discount documentation. The Company monitors the business produced by the agents and works with agents who have poor underwriting results to improve their profitability. If necessary, further corrective action, including termination of the agent, may be taken. Finally, surveys of agents are conducted approximately every two years to solicit feedback from agents on the Company's processes and systems.
- The Company conducts brand awareness and product feature advertising to the general public through television, local radio, social media, and print materials such as brochures. A public relations firm assists the Company with advertising, as needed.
- Advertising to the public is also provided by agents who use the Company's co-op advertising. Co-op advertising by agents requires prior approval from the marketing department.
- Most Company advertising and sales materials are developed by the marketing department and approved by senior marketing management.
- The Company also advertises to agents in The Standard, New England's Insurance Weekly.
- The Company provides affinity group discounts.
- When a new agent is appointed, the Company adds the agent to the Vertafore system, which displays whether a license is active or inactive. The Company runs a monthly Outbound Data Feed, which updates the Marketing database for each master broker code.
- A report is run weekly in the Marketing database to find which licenses are inactive. Producer Licensing then works with the Marketing Representative to get an updated copy of the license and to see if any of the agent's information has changed, resulting in an inactive license.

Examination Procedures Performed: INS interviewed Company personnel responsible for reviewing, approving, and maintaining sales and advertising materials and obtained supporting documentation. Further, INS:

- a) Reviewed a sample of the sales and marketing materials for evidence of the use of unapproved sales and marketing materials,
- b) Agent communications as part of new and renewal business testing for reasonableness, and
- c) evaluated the use of affinity group discounts as part of new and renewal business testing.

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Examination Conclusions: Based on the testing conducted by INS, the Company's marketing practices meet Massachusetts' statutory and regulatory requirements.

IV. PRODUCER LICENSING

Summary of Company Policies and Procedures:

- When a new agent is appointed, Producer Licensing adds the agent to Vertafore. Once the agent is added to Vertafore, the Company uploads the information to the Division's Online Producer Appointment System ("Cratchit") to process the appointments and terminations.
- The Company compares the data gathered from its list of paid annual agent appointments with the information in the state-based systems.com to identify differences that require follow-up.
- Agent terminations are processed following the agency contract, which requires 180 days' notice to terminate the appointment, in most instances.
- The Company uses Vertafore software to identify any licenses that have terminated or expired. If a producer is terminated, the Company will enter the effective date of termination in Cratchit. The effective date of termination will block any new business submissions from being accepted by the Company from terminated agents. However, the agent can service existing business that the agent generated for up to one year after the effective date.
- Advance notice of termination is given to agents following statutory requirements. The Company rarely has terminations "for cause," but any such terminations would be reported to the Division.
- The Company also monitors the agents' licensing renewal dates and Errors & Omissions policy renewal dates and requires an updated declaration page to be submitted to the Company.
- Technical and underwriting training is provided to agents through the Company's Customer Relationship Management Group. Further training and additional underwriting information are available to agents through the Company's Agent Virtual Community (AVC) portal.

Examination Procedures Performed: INS interviewed individuals responsible for producer contracting and processing agent appointments and terminations.

- a) INS tested 25 private passenger automobile policies, 25 homeowner policies, and 25 fire insurance policies issued or renewed during the examination period to determine whether the sale agents held a Massachusetts license by searching the National Association of Insurance Commissioners ("NAIC") licensing portal.

Examination Conclusions: Based on testing, the Company's producer licensing, agent appointment, and agent termination practices meet Massachusetts statutory and regulatory requirements.

V. POLICYHOLDER SERVICE

Insured-Requested Cancellations and Service Requests:

Summary of Company Policies and Procedures:

- To transfer an auto policy to a different company, a Form 2A-Notice of Transfer of Coverage is required from the new company. To remove an auto from the policy, a policyholder may provide a *cancellation receipt of the registration* or a *lost plates affidavit* for the vehicle. To cancel a homeowner or dwelling fire policy, the Company requires that a signed Lost Policy Release be submitted.
- The Company receives most of the policyholder service requests from the agent, which are submitted through Safety Express (the Company's agent web-based portal).
- The Company's policy systems process cancellations and automatically calculate the premium credit due for the cancellation.
- Similarly, the policy systems process endorsements that may result in premium credits. The system automatically transmits premium credits to the billing system for application to the overall billing account. An accounting team reconciles the premium between the systems daily. If the reconciliation determines a credit to the account, the billing system will issue a refund to the policyholder. A list of the refunds is printed daily and available for review, with Management typically reviewing larger refunds. The refund checks are then sent by courier to the Company's local vendor, JLS Mailing Services, to be inserted into envelopes and mailed to policyholders.

Examination Procedures Performed: INS interviewed individuals responsible for processing policyholder service transactions. Further, INS tested ten (10) private passenger automobile insured-requested cancellations, ten (10) homeowner insured-requested cancellations, and ten (10) fire insured-requested cancellations from the examination period to determine whether the Company and agents processed the cancellations accurately and in a timely manner.

Examination Conclusions: Based on testing, the Company's handling of insured-requested cancellations meets Massachusetts statutory and regulatory requirements.

Premium Billing and Reinstatement Practices:

Summary of Company Policies and Procedures:

- The Company's service teams handle the billing questions with the insured. The service teams also take calls from agents.
- The Company provides a 1-800 number and a local 617 phone number for phone inquiries related to billing. A team of 10 billing representatives answer calls related to billing. Another team of seven Billing Analysts is primarily responsible for handling requests from agents, but the Analysts also support the Billing Representatives with complex questions. The Company also offers online chat through its public website for billing questions. The Company provides call center support and online chat support from 8:15 a.m. to 7:00 p.m., Monday through Friday.
- The Company monitors the performance of the billing representatives. Metrics such as speed to answer, abandoned calls, average wait time, and others are measured against key performance indicators. Post-chat surveys are offered to consumers for quality assurance purposes. Call monitoring is also performed, as needed. The billing representatives refer requests for claims information to the claims adjuster.

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- The Company primarily utilizes the direct bill method for customers. Customers can pay the premium in full at inception and renewal or make payments in five or 12 monthly installments. The Company offers an account bill option for policyholders who wish to receive a single billing statement.
- The Company accepts payments using a check, electronic Automated Clearing House (“ACH”), credit card, debit card, and automatic electronic funds transfer (AutoPay). The Company utilizes the payment processing services of a third-party vendor to accept electronic ACH, credit card, and debit card payments through its website, mobile application, and automated phone system. The Company also provides a return envelope with each mailed insurance premium installment statement that an insured may use to return payment via check to the Company’s lockbox. BNY Mellon provides lockbox services for the Company, and BNY Mellon transmits a file to the Company that lists the payments they received via mail Monday through Friday. The Company posts all payments to the policyholder’s account in real-time for electronic payments, the same day for AutoPay payments, and within two business days for payments mailed to the lockbox.
- The Company systems issue installment bills 20 days before the due date. Premium installment statements for AutoPay customers are sent at least 10 days in advance of the automatic withdrawal date.
- If the minimum premium due is not paid, a late fee is assessed, and a notice of cancellation is sent approximately 25 days after the premium installment statement was sent, which provides a 5-day grace period. The notice of cancellation is mailed with a certificate of mailing, informing the insured that they have 23 additional days to make the minimum payment; otherwise, the policy will be cancelled. Third parties, such as the loss payee, are notified with a copy of the notice when applicable. If an AutoPay payment is not honored by the insured’s financial institution more than once, then the insured can no longer participate in the AutoPay program.
- Agents may request reinstatement through the Company’s automated website services, reinstatement of coverage, with no lapse in coverage, within ten days of the cancellation effective date, by following guidelines prescribed by the Underwriting Department and with the collection of the required payment and a no-loss letter signed by the policyholder.
- Premium financing assistance can be obtained from an unaffiliated premium finance agency. If an insured is delinquent in paying the premium to the premium finance agency, the agency will send a notice to the policyholder of its intent to exercise its power of attorney to initiate cancellation of the policy. If payment is not received, the premium finance agency will exercise its power of attorney and send a notice of cancellation to the insured 20 days in advance of the cancellation's effective date. The premium finance agency will also notify the Company of the intended cancellation, seeking a return of any applicable unearned premium if the cancellation becomes effective. The premium finance agency may rescind its notice of cancellation on or before the cancellation effective date.

Examination Procedures Performed: INS interviewed individuals responsible for handling premium billing and reinstatements. Examiners also reviewed billing notice dates in conjunction with testing new and renewal business.

Examination Conclusions: Based on the review, the Company’s premium billing and reinstatement handling meet Massachusetts statutory and regulatory requirements.

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Returned Mail, Unclaimed Checks, and Escheatment Practices:

Summary of Company Policies and Procedures:

- The Company has a dedicated post office box for undeliverable premium installment statements and notices. Premium refund checks are returned to the Company by the United States Postal Service. The post office box is managed daily by the Company's print vendor, Broadridge Output Solutions, Inc. Broadridge processes the returned mail piece to identify the policy/account number and reports it to the Company. The returned document is securely destroyed. Agents are notified of returned mail instances and asked to contact the customer to obtain a correct address for future mailings and to confirm their endorsement of the policy. If a better address is found for returned refund checks, the check is resent using the new address. Daily reconciliation procedures are performed between Broadridge and the Company data to ensure that all returned mail items are accounted for.
- Premium refund checks that are not cashed after six months are considered stale but remain on the Company's outstanding check list. Ninety days prior to escheatment, a final letter is sent to the last known address, notifying the payee that the check remains outstanding and 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. Uncashed claims checks are handled in the claims department.

Examination Procedures Performed: INS interviewed individuals responsible for returned mail, unclaimed checks, and escheatment and reviewed supporting information, including the 2023 escheatment filing with the Massachusetts State Treasurer.

Examination Conclusions: Based on the review, the Company's handling of returned mail, unclaimed checks, and escheatment meets Massachusetts statutory and regulatory requirements.

VI. UNDERWRITING AND RATING

Personal Insurance Sales, Underwriting, and Rating Practices:

Summary of Company Policies and Procedures:

- The Company has approximately 38 staff in underwriting, including three Managers and one Director. Standard authority limits are assigned to each underwriter. The Products and Services department has approximately 24 staff members, and six of whom are responsible for handling rate and form filings. The remaining staff handle commercial residual market underwriting and underwriting support. Additionally, the Company sells its policies in Massachusetts through its network of independent agents, which comprises approximately 700 agents.

Private Passenger Auto

- The Company uses the 2018 Edition of the Massachusetts Automobile Insurance Policy, which is provided to the policyholder by the agent, along with required disclosures.
- OFAC checks of new personal auto applicants and renewal insureds against the SDN list are completed bi-weekly through DXC Patriot Protector software.
- Automobile rates are developed using actuarial guidelines and principles. All rates are tested by manually rating policies before use and then loaded into the DXC rating system. The company responds to Merit Rating Board Notices to Re-Inquire for Safe Driver Insurance Plan point reductions, ensuring proper and timely application to operators and policy rates.
- To obtain automobile insurance quotes or to submit electronic policy applications to the Company, agents may use either the Company's agent portal, known as the Agent Virtual Community or a supported third-party comparative rating platform, such as SinglePoint. Agents may quote through the comparative rater but must issue policies through the Company's Policy Administration System, Safety Express, which is available on the AVC. The application must be submitted to the Company within two business days of binding.
- The Company's rating software automatically calculates auto policy premium rates through its vendor, DXC Technology. SinglePoint interfaces with the Massachusetts Registry of Motor Vehicles ATLAS system to obtain information on Massachusetts drivers' licenses and registered vehicles. Applicants' foreign driver licenses are accepted during the underwriting process and driving experience and merit rating eligibility are reviewed based on the documentation provided by the insured. If the application information is complete and the customer wishes to purchase the policy, the agent submits the application through Safety Express.

Property Insurance

- For homeowners and dwelling fire policies, the Company requires the applicant to complete and sign a Massachusetts Homeowners Application. The application must be completed and signed either on or prior to the effective date. The Company accepts electronic signatures. Once the application is complete, the agent must upload it to Safety Express.
- For property policies, the Company uses a Credit-Based Insurance Score, provided by LexisNexis®, in the rating of the policy. For renewal, an updated credit score may be obtained to determine if the risk is eligible for renewal. Credit is used along with other factors to determine eligibility for policy issuance and renewal. If a property policy does not meet the Company's New Business guidelines for credit, the agent is required to send the policyholder a completed Consumer Notice of Adverse Action form and retain a copy of the form in the policyholder's file.

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- To obtain homeowners insurance quotes or to process electronic policy applications to the Company, the agents may use either the Company's AVC or another supported third-party comparative rater, such as SinglePoint. Agents may obtain a quote through the comparative rater, but the policy must be issued using the Company's Policy Administration System, Safety Express, from the AVC.
- The Company has provided agents with homeowners underwriting guidelines for use in evaluating risks and has them available on the AVC for reference. The Company uses ISO forms for both standard and proprietary enhanced coverage endorsements.
- The Company does insure properties in coastal areas and will consider new business applications in those areas.

General Underwriting Information

- SIC writes all the Company's at standard rates. SIIC is the preferred rating tier company and writes business at a discounted rate with additional coverage options. SNE is a lower-priced rating company for our ultra-preferred clients, offering coverage options similar to SIIC, with a lower commission rate for agents. SPCIC is a high-value homeowners' company that writes business for properties valued between \$800,000 and \$4,000,000.
- The Company's Actuarial Department verifies that they are using industry loss costs and Safety-specific loss cost multipliers. To develop rates and premium charges for either a new coverage offering or for a small line of business for which the Company does not have credible loss experience, the Company sometimes uses ISO Loss Costs to develop the rate or premium charge. These rates are then filed with the Massachusetts Department of Insurance through NAIC's "System Electronic Rate and Form Filing" (SERFF) system.
- Approximately 90 to 120 days prior to policy expiration, insurance policies are reviewed using underwriting criteria to determine if they are eligible for possible non-renewal. For those expiring policies that the Company wishes to renew, renewal policies are sent to the insureds along with the required disclosures and notices. The insureds are advised to contact their agents for any requested coverage changes.
- For statistical reporting, the Company has developed testing procedures to ensure the accuracy and completeness of key statistical data. The Company reports automobile premium statistical data to CAR monthly and homeowners' premium data to ISO quarterly. Any errors exceeding acceptable tolerance limits are corrected and resubmitted. CAR and ISO have cross-checking reporting requirements for statistical and financial reporting. Finally, the Company is subject to periodic premium-related statistical audits.
- The Company conducts periodic desk audits of the independent agencies to ensure that the agents are maintaining required documentation, such as signed private passenger automobile applications, supporting discount information, and private passenger automobile declination notices provided to applicants. Agency desk or field audits are not completed for homeowner's business.
- Technical and underwriting training is provided to agents through the Company's CRM Group. The CRM Group may also request evidence of required materials retained by the agents. Surveys of agents are conducted approximately every two years to solicit feedback on the Company's underwriting processes, servicing, and systems.

Examination Procedures Performed: INS interviewed Company personnel responsible for the underwriting and rating processes. In addition, INS selected 25 new business private passenger automobile policies, 25 homeowners policies, and 25 fire policies issued, as well as 25 of each for renewals, during the examination period to verify that each application was timely and correctly processed, and that the policies' premiums and discounts complied with statutory and regulatory requirements and filed rates.

Examination Conclusions: Based on testing, the Company issues personal lines policies in accordance with

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statutory and regulatory requirements. The premium rates charged, and the discounts applied for the tested policies comply with the policies, procedures, statutory requirements, and rates filed with the Division for homeowners and the fire policies.

Vacated At-Fault Accident Determination Practices:

Summary of Company Policies and Procedures:

- The Company's at-fault accident determinations are reported to the Merit Rating Board and CLUE weekly using a Lexis/Nexis automated process. The claim system automatically sends an at-fault determination notice to drivers and their agents regarding the at-fault accident surcharge and the right to appeal when liability is determined to be greater than 50% and the claim is over \$1,000.
- The Underwriting Department receives notice of vacated surcharges from the BOA. Underwriting then notifies the Premium Accounting Department so that premium adjustments can be made as appropriate. Additionally, the Claims Department is notified to update the claim record for the vacated surcharge.

Examination Procedures Performed: INS interviewed Company personnel responsible for processing vacated at-fault accident determinations. In addition, INS selected and tested 18 vacated at-fault accident determinations by the BOA. INS testing seeks to verify that the Company reported the vacated at-fault determination in a timely manner to the Merit Rating Board and all data collection agencies, including CLUE.

Examination Conclusions: The Company is not reporting vacated driver at-fault surcharges correctly and in a timely manner to CLUE as required by M.G.L. c. 175E § 7A and 211 CMR 134.00 "Safe Driver Insurance and Merit Rating Plans," and Massachusetts Division of Insurance Bulletin 2010-11 "Reporting and Rating Requirement."

The Division's 2018 Market Conduct Examination of the Safety Group also noted some discrepancies in the reporting of vacated at-fault accident surcharges to CLUE, and the Company had agreed to implement changes to the process in place at that time.

Required Actions: The Company must implement adequate procedures to ensure that CLUE (or other data collection agency) is notified within fifteen days of the date the Company is notified by the BOA or a court of competent jurisdiction that a driver's at-fault surcharge has been vacated. The Company must submit a report detailing the procedures on or before March 20, 2026, to the Massachusetts Division of Insurance.

Subsequent Company Actions: The Company is implementing process improvements, including but not limited to robust internal monitoring of assigned staff, to ensure the timely reporting to CLUE of all vacated at-fault accident determinations. The Company anticipates that the monitoring system and any necessary staff training will be completed by March 20, 2026. Additionally, the Company plans to complete the required audit of the CLUE reporting process by December 31, 2026.

Also, in accordance with the RSA in Appendix B, the Company shall pay a fine of \$27,250 for the violations of M.G.L. c. 175E § 7A and 211 CMR 134.00 "Safe Driver Insurance and Merit Rating Plans," and Massachusetts Division of Insurance Bulletin 2010-11 "Reporting and Rating Requirement." Additionally, the Company is subject to re-examination by the Division within the next 18 months.

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Underwriting Declination Practices:

Summary of Company Policies and Procedures:

- When the producer enters the applicant's information into Safety Express, a message will appear on the screen if the applicant is not eligible for coverage. If the new business application does not meet the Company's underwriting guidelines, the agent is required to issue a declination notice. The Company's underwriter will take a screenshot of the declination, send it to Personal Lines Correspondence, who will enter it into the declination log.
- The Company uses credit-based scoring for underwriting property policies. A CLUE report with loss history is also obtained for a new application when the Company is notified by the agent that the applicant does not meet the Company's minimum required insurance score. The Company will create and email a Fair Credit Reporting Act ("FCRA") Consumer Notice of Adverse Action notice to the agent. The agent is instructed to provide the applicant with the notice and to retain documentation for five years verifying that the notice was sent.
- Company reasons for declination for private passenger auto include loss, driving history, and experience.

Examination Conclusions: The Company is not consistently sending the FCRA adverse notices within the ten-day time frame as required by M.G.L. c.93, § 62, to homeowner applicants, not meeting the Company's minimum threshold for credit-based insurance scores, or formally declined coverage for credit-based insurance scores.

Required Actions: The Company shall ensure that FCRA adverse action notices are sent within the ten-day time frame as required by M.G.L. c.93, § 62, to homeowner applicants not meeting the Company's minimum threshold for credit-based insurance scores or formally declined coverage for credit-based insurance scores. The Company shall retain evidence of mailing for five years that the adverse action notices were sent to such applicants. Additionally, the Company shall provide training and guidance for its staff and agents on the procedures and requirements applicable to FCRA Notices. Finally, the Company shall conduct a detailed internal audit on March 30, 2026, or on an alternative date acceptable to the Division, to ensure that these required actions have been properly implemented. The Company shall provide the internal audit report to the Division of Insurance.

Subsequent Company Actions: The Company is implementing process improvements, including but not limited to robust monitoring and distribution of the Adverse Action Notifications to applicants who have been denied coverage or experienced a reduction in coverage due to a credit-based insurance score by the Company's Underwriting department. The Company anticipates that the monitoring system and any necessary internal training will be completed, and a report submitted to the Division of Insurance, confirming that the revised procedures are in place, by March 20, 2026. Additionally, the Company plans to complete an audit of the revised Adverse Action Notice distribution system by December 31, 2026.

Also, in accordance with the RSA in Appendix B, the Company shall pay a fine of \$6,000 for violations of the Fair Credit Reporting Act ("FCRA") 15 U.S.C. § 1681m § 615(a), and M.G.L. c. 93, § 62. Additionally, the Company is subject to re-examination by the Division for these matters within the next 18 months.

Underwriting Cancellation and Non-Renewal Practices:

Summary of Company Policies and Procedures:

Massachusetts private passenger auto and property underwriting cancellations are reviewed by underwriting staff and management prior to issuance to ensure the reason and timing comply with state regulations and policy requirements.

■ ***Private Passenger Auto Policies-***

- ***Mid-term cancellations*** for reasons other than non-payment of premium are issued because of a material change in the risk, new information about the risk, material misrepresentation on the insurance application, or revocation or suspension of the driver's license as permitted by the policy and applicable regulations.
- Notices for private passenger automobile mid-term cancellations for any reason are mailed to the insured with at least 23 days' notice. The specific reason is stated on the notices, and a copy of the notice is provided to the agent and any loss payee.
- If unknown information is discovered through underwriting review, a cancellation is issued in accordance with regulations (typically within the first 60 days). Notices are delivered to the agents for delivery to the insureds and any mortgagee/loss payee in accordance with statutory requirements. All personal lines cancellation notices are reviewed and approved by managers prior to issuance.
- ***Non-Renewals*** - approximately 90 to 120 days prior to policy expiration, insurance policies are reviewed for possible non-renewal. For automobile policies that are to be non-renewed, the Company sends a non-renewal notice to the insureds at least 45 days prior to policy expiration, stating the specific reason for non-renewal, and sends a copy of the notice to the agent and any loss payee.

■ ***Homeowners and Dwelling Fire Policies:***

- ***Cancellation*** - The Company's practice is to provide a 30-day notice for cancellations to comply with the minimum required days of notice. A Legal Notice of Cancellation is sent to the policyholder at the last known mailing address shown on the policy declaration. The Company obtains a Certificate of Mailing to document that the notice was sent. Notices to third parties, such as the mortgagee, are also sent.
- ***Non-Renewal - For homeowners' policies that are to be non-renewed, the company sends a non-renewal notice to the agents at least 45 days prior to policy expiration, stating the specific reason*** on the notice. The agent must provide the notice to the insured and any mortgage payee at least 15 days in advance of expiration, if the agent does not replace the policy. All personal lines non-renewal notices are reviewed and approved by managers before issuance.

Company Cancellations

Examination Procedures Performed: INS interviewed Company personnel responsible for the underwriting process. Additionally, INS tested the underwriting process for company-initiated cancellations of 50 private passenger automobiles, 50 homeowners, and six dwelling fire policies. The testing assessed whether the cancellation practices complied with the Company's underwriting guidelines and statutory requirements.

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Examination Conclusions:

Findings: None.

Observations: Based on testing, the Company provided timely and adequate underwriting cancellation and non-renewal notices, with specific reasons for the action disclosed correctly in the notice as per statutory requirements for the 50 homeowners and six (6) dwelling fire files, and for 48 of the 50 private passenger automobile files. However, for two of the 50 private passenger automobile files reviewed, the reason provided to the insured for the cancellation was incorrect. It did not accurately reflect the actual reason for cancellation.

Recommendation: The Company must amend its process to ensure all cancellation notices include the specific reason for cancellation. The Company should provide training on the proper procedures, including the requirement that all cancellations accurately state the specific reason for the cancellation. The two errors appeared to be administrative rather than systemic errors.

Non-Renewals

Examination Procedures Performed: INS interviewed Company personnel responsible for the underwriting process. Additionally, INS tested 25 private passenger automobiles, 50 homeowners, and 50 fire non-renewals. The review was conducted to ensure compliance with the Company's underwriting guidelines and statutory requirements.

Examination Conclusions: Based on testing, the Company provided timely and adequate underwriting cancellation and non-renewal notices, with specific reasons on the notices disclosed correctly following statutory requirements. The specific reasons were reasonable and in compliance with the Company's underwriting guidelines.

VII. CLAIMS

Claims Handling Practices:

Summary of Company Policies and Procedures:

- The Company's claims handling process is organized in its home office with approximately 250 claims personnel. A vice president leads the division with a supervisory structure that includes two lead directors, directors, managers, adjusters, and support staff. One lead director handles casualty, SIU, PIP, and litigation. The second lead director handles automobile physical damage, property claims, field operations, and claims support staff, which includes salvage and subrogation, as well as total loss. The Company also utilizes field adjusters and independent appraisers in Massachusetts to supplement its employed field staff.
- All claims are processed and documented using one of three claim systems. A vendor purchased a software system (Guidewire) entitled Claims Center, which was implemented in 2020 for property claims and in 2021 for auto claims.
- For contracted property field adjusters, the Company uses XactAnalysis to direct and monitor their work. That software is compatible with Xactimate, a software used by field adjusters to estimate property losses. The claim systems provide end-to-end processing, including complete financial processing, claims activities, notes, and a claims history. The systems have been built to include Massachusetts-related business rules and include electronic document storage and retrieval capabilities.

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- Most claims are reported through calls to the Company's 800 phone number or set up directly by agents via a Safety system application. Some are set up directly by the insured online or through a mobile application or from fax/email/postal mail receipts.
- An automated system assigns adjusters. Claims are reassigned by supervisors as needed based on severity and exposure. Claim adjusters are to contact the claimants the same day or the next business day.
- The Company has two drive-in appraisal facilities, one in Danvers and the second in Braintree, which are used in conjunction with independent appraisal firms' drive-in facilities. Field appraisers are dispatched for physical damage and property damage claims. Appraisals are submitted using an interactive system, and then they are checked for accuracy by a home office support team.
- 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. At-fault accident determinations are reported to the Merit Rating Board and to CLUE weekly using a Lexis/Nexis automated process. The claim system automatically sends an at-fault determination notice to policyholders/driver and their agent(s) of the at-fault accident surcharge and the right to appeal when liability is determined to be greater than 50% and the claim exceeds \$1,000.
- Total loss claims generally occur when the damage is >80% of the vehicle's ACV. The total loss value is determined using values supplied by a vendor, CCC Intelligent Solutions ("CCC"). The vendor, Copart, is used for salvage. The Company will also use National Automobile Dealers Association values or obtain actual purchase price information from the RMV-1 if the vehicle is less than 6 months old. Re-inspections are performed on 25% of claims with a value of less than \$4,000 and 75% of claims with a value greater than \$4,000, with results reported to CAR quarterly.
- For auto bodily injury evaluation the Company utilizes an internally developed auto bodily injury evaluation methodology to document the damage analyses. The Company has developed "help tables" based on its historical Massachusetts claims experience to help guide the auto bodily injury case reserving and damages settlement evaluation. The "help tables" are updated annually using the Company's loss settlement history. Individual claim settlement authority limits are assigned to adjusters in proportion to their experience. Unit managers review each active auto bodily injury claim after the initial 120 days and each subsequent year. Additionally, the Company reports all closed auto bodily injury claims to the AIB Detail Claims Database as required in Massachusetts.
- For property-based liability claims where there is an injury, the adjuster uses a form, completed manually, to assess medical bills, disability, lost wages, and general damages to develop a settlement range. For compliance purposes, the Company uses DXC Patriot Protector software to screen all claimants against the OFAC SDN list.
- The Company's subrogation unit monitors the status of unpaid subrogation amounts from other carriers and notifies claims adjusters that subrogation has been received so that the insured's property deductible can be returned. This would also apply to an auto deductible, where no waiver of deductible was elected.
- The Company's procedure is to issue reservation of rights and excess loss letters when potential coverage issues arise. These letters require management approval before being sent. The adjusters are trained to complete Department of Revenue checks according to statutory requirements and to document the search results in Guidewire and Safety's Workload Management System as a hard-coded requirement prior to payment.
- The Company reports at-fault accident determinations for claims paid over \$1,000 and all comprehensive claims and at-fault accident determinations to CLUE and the Merit Rating Board.
- Also, claims employees notify underwriting when they identify information of concern during the investigation.
- For property claims, the Company's process for reporting claims above \$1,000 to municipal authorities is to send the required letter to the municipality shortly after receiving the claim.

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- The Company has established criteria for periodic reviews of the adjuster's work. Reviews of the work are documented in the claims systems.
- From the claims system data, the Company produces metric reports for the daily, weekly, and monthly claims reporting of key service and quality metrics.
- The Company has also established a quality assurance ("QA") program through monthly reviews of closed auto claim files by claims managers. For auto PD claims, five claims per adjuster are reviewed for QA by their managers each month in our Process Unity Claim Management Review System. Also, all auto theft and auto fire claims are reviewed for QA. Auto liability claims are rated by management on each formalized report within the Claim Review System Pre-Guidewire, and post-Guidewire within the Process Unity Claim Management Review System. The QA includes a sample of claims for each adjuster to assess adherence to Company policies and procedures. The QA results are documented and scored in checklists. Results are reported for each adjuster for use by claims management as part of the employee training and performance evaluation processes. In addition, the Risk, Audit, and Compliance department conducts periodic quality assurance audits of the claims handling processes.
- The Company utilizes CAR as the statistical reporting agent for private passenger automobile business. Daily claim statistical data is accumulated through the claim system, and summary data is provided monthly by the Company to CAR. Any claim with statistical errors exceeding standard CAR tolerance levels must be corrected.
- The Company is subject to periodic CAR audits. CAR specifies timeframes for handling, reserving, and paying a claim.
- The Company uses Insurance Services Office as its statistical reporting agent for property claims, and that data is submitted to ISO quarterly in the required format.

Examination Procedures Performed: INS interviewed the Company personnel responsible for the claims handling. INS selected 25 paid private passenger automobile claims, 25 paid homeowner claims, and 75 denied (or closed without payment) claims. Also, INS selected 25 paid fire claims, and the total population of 41 denied or closed-without-payment fire claims for testing. INS verified that the Company properly investigated, adjudicated, and paid or denied all claims following contract provisions and statutory requirements.

Examination Conclusions: Based on testing, the Company handles claims in accordance with its policies and procedures and adheres to statutory and regulatory requirements.

SUMMARY

Based upon the procedures performed in this examination, INS has reviewed and tested Company Operations/Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims as outlined in the 2023 NAIC Market Regulation Handbook, the examination standards of the Division, and the Commonwealth of Massachusetts' insurance laws, regulations, and bulletins. INS has provided recommendations and required actions to address Underwriting, Rating, and Claims standards.

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ACKNOWLEDGEMENT


This acknowledgment is to certify that the undersigned is duly qualified and, in conjunction with INS, applied certain agreed-upon procedures to the Company's corporate records 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. In addition, 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 Division acknowledges the cooperation and assistance extended to all examiners by the officers and employees of the Company during the comprehensive market conduct examination.



Commonwealth of Massachusetts
Division of Insurance
Boston, Massachusetts



The INS Companies
Market Regulation Division
Philadelphia, Pennsylvania



The INS Companies
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