



Report on

Market Conduct Examination

of the

Amica Mutual Insurance Company

Lincoln, Rhode Island

by Representatives of the
North Carolina Department of Insurance

as of

November 16, 2021

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Raleigh, North Carolina
November 16, 2021

Honorable Mike Causey
Commissioner of Insurance
Department of Insurance
State of North Carolina
Albemarle Building
325 N. Salisbury Street
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Honorable Elizabeth Kelleher Dwyer
Deputy Director & Superintendent of Banking and Insurance
Department of Business Regulation
Insurance Division
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Honorable Commissioner and Deputy Director/Superintendent:

In accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of the following entity:

Amica Mutual Insurance Company (NAIC #19976)
NAIC Exam Tracking System Exam Number: NC-NC094-30
Lincoln, Rhode Island
(hereinafter generally referred to as the Company)

The examination was conducted at the North Carolina Department of Insurance (Department) office located at 325 N. Salisbury Street, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

This examination commenced on April 12, 2021, and covered the period of January 1, 2018, through December 31, 2019. Analyses of certain operations of the Company were concluded during the Wrap-Up Conference which was held on October 18, 2021. This action was taken due to market analysis of underwriting and claims practices. All comments made in this report reflect conditions observed during the period of examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive and included limited review of the Company's marketing practices, underwriting and rating, and claims practices. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0 percent tolerance level for producers/adjusters who were not properly appointed and/or licensed, the use of forms and rates/rules that were neither filed with nor approved by the Department; 7 percent for claims; and 10 percent for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing a violation, the Department issues a reminder to the company.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's procedures and practices in the following areas:

Underwriting and Rating – Homeowners: Discounts displayed on declarations page that were not applicable; incorrect premiums charged. Personal Automobile: incorrect premiums charged.

Claims Practices – Not attempting in good faith to effectuate prompt settlement of claims.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site at <https://www.ncdoi.gov/insurance-industry/market-regulation>

This examination identified various statutory violations, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

MARKETING PRACTICES

Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. We reviewed the following lines of business:

- Homeowners
- Personal Automobile

Filings for the homeowners and personal automobile lines of business were made by the North Carolina Rate Bureau (NCRB) and the Company.

UNDERWRITING AND RATING

Overview

The Company's marketing in North Carolina is directed to personal lines of business. The Company provided the examiners with listings of the following types of active policies for the period under examination:

- Homeowners
- Personal Automobile

A random selection of 200 policies was made from a population of 14,750. Each policy was reviewed for adherence to underwriting guidelines, file documentation, and premium determination. The policies were examined to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules.

Homeowners

The Company provided a listing of 8,890 active policies issued during the period under examination. One hundred policies were randomly selected for review.

The Company's homeowner policies were written on an annual basis. Coverages were written utilizing manual and deviated rates. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines. All policy files contained sufficient documentation to support the Company's classification of the risk.

The Company was deemed to be in violation of NCGS 58-63-15(1) as 12 policies (12.0 percent error ratio) listed discounts on the declarations page, but those discounts were not applicable to the policy. There was no financial impact to the insureds because the discounts did not apply and therefore, should not have been displayed on the declarations page.

The Company was deemed to be in violation of NCGS 58-36-30(a) and the NCRB Homeowner Manual Rule (as indicated below) as 62 policies (62.0 percent error ratio) were issued with incorrect premiums. Errors included:

- Incorrect increased limits rates for LIMITED WATER BACK-UP AND SUMP DISCHARGE OR OVERFLOW COVERAGE – 7 policies
- Incorrect exposure for earthquake rating (HO Manual Rule 505.D.2.) – 1 policy
- Incorrect Protective Device credit applied (HO Manuel Rule 404.C.) – 59 policies
- Incorrect Multi-line Deviation credit applied – 2 policies

Due to these errors, eight policies resulted in overcharges. The examiners directed the Company to refund premium and statutory interest in the amount of \$348.34.

The Company was reminded of the provisions of NCGS 58-36-30(b1) and Administrative Codes NCAC 10.0602(a)(2) and 10.0602(a)(3) as four files (4.0 percent error ratio) had a consent-to-rate (CTR) form that did not display the appropriate rates/premiums. These referenced administrative codes and statute apply as of the inception date of each policy. Subsequent to these policies being written, the law was modified, so no corrective action is necessary.

Personal Automobile

The Company provided a listing of 5,860 active policies issued during the period under examination. One hundred policies were randomly selected for review.

The Company's personal automobile policies were written on an annual basis. Coverages were written utilizing manual rates and deviated rates. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines. All policy files contained sufficient documentation to support the Company's classification of the risk.

The Company was reminded of the provisions of NCGS 58-2-164(c) and 58-2-164(c1) as two files (2.0 percent error ratio) did not have sufficient documentation to prove residency or eligible risk status.

The Company was deemed to be in violation of NCGS 58-36-30(a) and the NCRB Personal Auto Manual Rule (as indicated below) as 10 policies (10.0 percent error ratio) were issued with incorrect premiums. Errors included:

- Incorrect number of SDIP (Safe Driver Insurance Plan) points were applied to the policy (Personal Auto Manual Rule 5.B.1.) – 7 policies
- Incorrect physical damage symbol assigned – 2 policies
- Incorrect territory assigned – 1 policy
- Incorrect multi-line credit applied – 1 policy

Two policies resulted in an overcharge. The examiners directed the Company to refund premium and statutory interest in the amount of \$378.40.

CLAIMS PRACTICES

Overview

The Company's claims practices were reviewed to determine compliance with the appropriate North Carolina statutes, rules, and policy provisions. The review encompassed paid homeowners loss of use, personal automobile physical damage, personal auto bodily injury, third party property damage, and personal automobile medical payments. Two hundred fifty claims were randomly selected from a population of 6,370.

Paid Claims

One hundred first party automobile physical damage and third-party property damage claims paid during the period under examination were selected for review from a population of 4,647. The claim files were reviewed to determine compliance with NCGS 58-63-15(11) for timeliness of payment, supporting documentation, and accuracy of payment.

The following types of claims were reviewed and the average payment time is noted in calendar days:

Type of Claim	Payment Time
Automobile physical damage	15.0
Third party property damage	20.0

Documentation consisted of appraisals, estimates, repair bills, and adjusters' notes. Each file reviewed contained documentation necessary to support the Company's payments. Deductibles were correctly applied and depreciation taken was reasonable. The review of the Paid Claims disclosed no violations.

Loss of Use

Fifty paid loss of use claims were randomly selected for review from a population of 275. The claim files were reviewed to determine compliance with NCGS 58-63-15(11) for timeliness of payment, supporting documentation, and accuracy of payment.

The Company was reminded of the provisions of NCGS 58-63-15(11)(f) as two loss of use claims (4.0 percent error ratio) reflected an undue delay in settling the claim.

First and Third Party Bodily Injury Claims

Fifty paid first and third party bodily injury claims were randomly selected for review from a population of 908. The claim files were reviewed to determine compliance with NCGS 58-63-15(11) for timeliness of payment, supporting documentation, and accuracy of payment.

The Company was deemed to be in violation of NCGS 58-63-15(11)(f) as five files (10.0 percent error ratio) reflected an undue delay in settling the claim.

Medical Payments Claims

Fifty paid medical payments claims were randomly selected for review from a population of 540. The claim files were reviewed to determine compliance with NCGS 58-63-15(11) for timeliness of payment, supporting documentation, and accuracy of payment. The Company was reminded of the provisions of NCGS 58-63-15(11)(f) as two files (4.0 percent error ratio) reflected an undue delay in settling the claim.

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company is directed to refrain from listing discounts on the homeowners declarations page when those discounts are not applicable. Proper rates and factors must be used. The Company is directed to settle claims without undue delay in which liability has become reasonably clear.

Upon acceptance of the Report the Company shall provide the Department with a statement of corrective action plan to address the violations identified during the examination.

The Department will conduct a future investigation if warranted to determine if the Company successfully implemented its statement of corrective action.

CONCLUSION

An examination has been conducted on the market conduct affairs of Amica Mutual Insurance Company for the period January 1, 2018, through December 31, 2019, with analyses of certain operations of the Company being conducted through October 18, 2021.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of the Company's operations in the areas of marketing practices, underwriting and rating, and claims practices.

In addition to the undersigned, Jeffrey O'Bannon, MCM, North Carolina Market Conduct Examiner II, participated in this examination.

Respectfully submitted,



Larry R. Cook, CPCU, AU, ARe, ARM, AIM, AMIM,
AIAF, AIC, ARC, AAI, MCM
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Teresa Knowles, ACS, MCM
Deputy Commissioner
Market Regulation Division
State of North Carolina