

REPORT ON

THE MARKET CONDUCT EXAMINATION

OF

The Employers' Fire Insurance Company
NAIC Company Code: 20648

As of

June 30, 2008

State of Rhode Island
Department of Business Regulation
Insurance Division

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
1511 PONTIAC AVENUE, BLDG. 69-2
CRANSTON, RHODE ISLAND 02920**

IN THE MATTER OF:

THE EMPLOYERS' FIRE INSURANCE COMPANY

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DBR No. 09-18

Respondent.

CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation ("Department") and The Employers' Fire Insurance Company ("Respondent") as follows:

1. Pursuant to R. I. Gen. Laws §27-13.1-4, the Department initiated a Market Conduct Examination ("Examination") in order to evaluate Respondent's compliance with applicable R. I. Gen. Laws and Rhode Island Insurance Regulations
2. The Examination was completed and a report was issued on December 9, 2008.

WHEREFORE, based on the foregoing, Respondent and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following resolution:

1. The Examination concluded that Respondent failed to comply with R. I. Gen. Laws §31-47-4(a) in 12 of the nonrenewal notices issued during the period of examination 1-1-07 through 6-30-08. The 12 nonrenewal notices did not provide documentation for the certificate of mailing which is required under R. I. Gen. Laws §31-47-4(a). The Department and Respondent agree that Respondent will pay an administrative penalty of two thousand four hundred dollars (\$2,400) as a result of these violations.

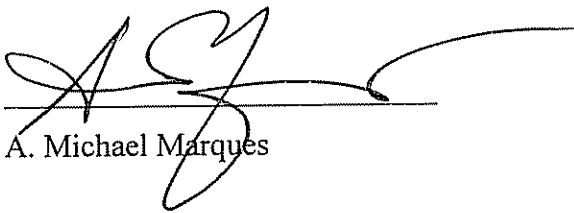
For all of the violations detailed herein, Respondent is ordered to pay an administrative penalty of two thousand four hundred dollars (\$2,400).

Department and Respondent hereby consent and agree to the foregoing on this 2nd day of February 2009.

Department of Business Regulation

Respondent,

By its Director,



A. Michael Marques



Virginia A. McCarthy
Print Name

Associate General Counsel
Title

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Providence, Rhode Island

January 13, 2009

Honorable A. Michael Marques
Insurance Commissioner
State of Rhode Island

Commissioner:

In accordance with your instructions, and pursuant to the statutes of the State of Rhode Island, a Market Conduct Examination was conducted of the:

The Employers' Fire Insurance Company

One Beacon Lane

Canton, Massachusetts 02021

hereinafter referred to as the "Company". The examination was conducted at the Department of Business Regulation, Insurance Division, 1511 Pontiac Avenue, Cranston, Rhode Island.

FOREWORD

Our Market Conduct Examination Report is, in general, a report by exception. Information relating to practices, procedures, and/or files subject to review during our examination has been omitted from the report if errors and/or improprieties were not evidenced.

SCOPE OF EXAMINATION

Authority for this examination is provided by R.I. Gen. Laws §27-13-1 and §27-13.1-3. The examination covered the period from January 1, 2007 through June 30, 2008, and was conducted in accordance with standards established by the National Association of Insurance Commissioners, and procedures developed by the Rhode Island Department of Business Regulation, Insurance Division.

The line of business reviewed was Private Passenger Automobile. The examination encompassed a review of the following areas: total loss claims, cancellations, nonrenewals and premium installment plans.

The primary purpose of the examination was to evaluate the Company's compliance with Rhode Island General Laws and Insurance Regulations, and to determine whether Rhode Island insureds and claimants were being treated equitably. The test work performed during the examination satisfied this purpose, and forms the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the insurer's files.

PROFILE OF COMPANY

History

The Company was incorporated January 21, 1921 under the laws of Massachusetts. It commenced business on March 15, 1921 under the sponsorship of The Employers' Liability Assurance Corporation, Limited, London, England. All of the company's capital stock was purchased in 1928 by Employers, Group Associates, a Massachusetts voluntary trust, and held by it until 1971, when Commercial Union Corporation acquired all the outstanding shares through a tender offer. The company became affiliated with Commercial Union Group upon the 1968 unification of the Employers' Group with the original Commercial Union Group. The Company is licensed to write business in all states, District of Columbia and the U. S. Virgin Island.

Operations

The Company's Rhode Island direct written premium for the year 2007 was as follows:

<u>Line of Business</u>	<u>Written Premium</u>
Other Private Passenger Auto Liability	\$ 6,561,442
Private Passenger Auto Physical Damage	\$ <u>2,917,009</u>
Total	\$ <u>9,478,451</u>

Management

At December 31, 2007, the Directors of The Employers' Fire Insurance Company were as follows: Alexander Constantine Archimedes, Andrew Coleman Camase, Mark Kevin Dorcus, Dana Perkins Hendershott, Paul Harrington McDonough, Timothy Michael Miller, Brian David Poole, Bradford Whitman Rich and Thomas Norman Schmitt.

The officers at December 31, 2007 were as follows: Timothy Michael Miller (President and Chief Executive Officer), Dennis Robert Smith (Secretary), Todd Colin Mills (Treasurer) and Brian David Poole (Senior Vice President and Chief Actuary).

Private Passenger Automobile Nonrenewals

A review of the Company's private passenger automobile nonrenewal practices during the period under examination was conducted to determine whether the Company complied with the applicable provisions of its private passenger automobile policies, R.I. Gen. Laws §31-47-4 and Rhode Island Insurance Regulation 16.

The Company provided the examiners with a listing of 69 files which comprised all of the cancellations and nonrenewals that were processed for the period under examination. The examiners selected 50 cancellation and nonrenewal files for review based on NAIC sampling criteria. Based on the examination work performed the examiners noted 12 nonrenewal files for which the Company could not provide certificate of mailing documentation in order for the examiners to determine compliance with R. I. Gen. Laws §31-47-4(a) Notice of Termination.

Recommendation: It is recommended that the Company setup a procedure to ensure that record retention of mailing documentation for nonrenewals is in compliance with Rhode Island Insurance Regulation 67, Section 5.A. *Policy Record File*.

CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. We were not informed of, and did not become aware of any other error or irregularity that could have a material effect on the market conduct condition of the Company as presented in this report.

Respectfully submitted,



Robert G. Arrow, FLMI

Senior Market Conduct Examiner
Rhode Island Insurance Division



Virginia A. McCarthy
Associate General Counsel

February 2, 2009

Sharon K. Gordon, CPA, CFE
Chief Insurance Examiner
Department of Business Regulation
Insurance Division
1511 Pontiac Ave - Bldg 69-2
Cranston, RI 02920

Re: Report on Market Conduct Examination of The Employers' Fire Insurance
Company (the "Company")

Dear Ms. Gordon:

I am writing in response to your letter to Juliann Niemann, dated January 13, 2009, and subsequent conversations in the referenced matter.

The Company views market conduct examinations as a positive means of assessing our operations and procedures. We take seriously the conclusion that the Company was not able to provide documentation of the certificates of mailing in connection with the twelve non-renewal files. We have reviewed our processes and have amended our procedures to ensure that certificates of mailing are produced and available as required under Rhode Island law.

It is also my understanding that the Department wishes to amend page 6 of the Report by deleting the second full paragraph under the heading, "Private passenger Automobile Renewals". The Company is in agreement with that change.

In accordance with your instructions, I have also enclosed a copy of the Consent Order.

We look forward to working with you to finalize this matter. Should you have any questions or require additional information, I can be reached at 781-332-7191 or vmccarthy@onebeacon.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'V. McCarthy', is written over a horizontal line.

Virginia A. McCarthy