

REPORT ON
THE MARKET CONDUCT EXAMINATION
OF
Holyoke Mutual Insurance Company in Salem

NAIC Company Code: 14206

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
INSURANCE DIVISION
1511 Pontiac Ave. – Bldg. 69-2
Cranston, RI 02920**

_____)
IN THE MATTER OF:)
HOLYOKE MUTUAL INSURANCE COMPANY IN SALEM) DBR No. 09-114

Respondent.)
_____)

CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation (“Department”) and the Holyoke Mutual Insurance Company in Salem (“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 March 26, 2009.

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:

The Examination concluded that Respondent failed to comply with R.I. Gen. Laws §27-29-13 when the company required more than a 15% down payment on its annual private passenger automobile policies upon issuance, with the balance to be

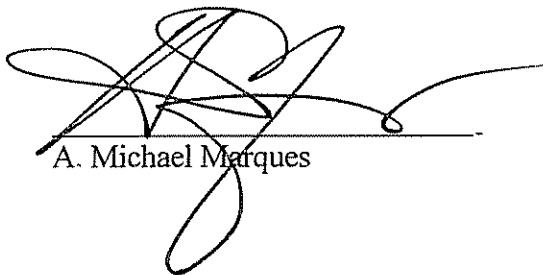
paid in equal installments, for all policies written during the period under examination from 1-1-07 through 6-30-08.

In order to resolve the issue, Respondent agreed to amend all documents to reflect a 15% down payment on all currently offered installment payment plans and instruct all personnel involved in billing of the required down payment on all its annual policies, in accordance with the statute. The Respondent will also implement system changes to process all new business.

For all of the violations detailed herein, Respondent is ordered to pay an administrative penalty of five thousand dollars (\$5,000).

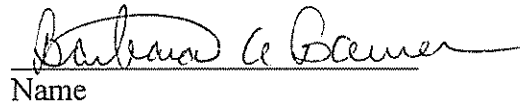
Department and Respondent hereby consent and agree to the foregoing on this 28th day of April 2009.

Department of Business Regulation
By its Director,



A. Michael Marques

Respondent,



Name

Barbara A. Baurer
Print Name

President & Vice Chairman
Title

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Cranston, Rhode Island

March 26, 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:

HOLYOKE MUTUAL INSURANCE COMPANY IN SALEM

Holyoke Square
Salem, MA 01970-3391

hereinafter referred to as the "Company". The examination was conducted at the Department of Business Regulation, Insurance Division, 1511 Pontiac Ave., Bldg. 69-2, 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 examination encompassed a review of the following areas of the private passenger automobile line of business: Premium Installment Plans, Cancellations and Nonrenewals, and Total Loss Claims Paid.

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 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

Holyoke Mutual Fire Insurance Company in Salem (“Holyoke”) was incorporated on March 14, 1843 and issued its first policies on May 23, 1843. In 1975, the name of the company changed to Holyoke Mutual Insurance Company in Salem (deleting the word “Fire” from its name). Its home office is in Salem, Massachusetts. Holyoke is currently licensed to operate in Massachusetts, Arizona, Arkansas, Colorado, Connecticut, Georgia, Illinois (as a reinsurer), Maine, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, Oregon, Rhode Island, South Carolina, Vermont and Washington.

Holyoke sells traditional property and casualty insurance to core markets in Massachusetts, New York and Rhode Island through an independent agency system. In addition, it sells specialty products in other regions of the United States through both independent agents and its subsidiary, Holyoke of Salem Insurance Agency.

In 2000, the company became an affiliate of the COUNTRY[®] Financial insurance group of Bloomington, Illinois. Holyoke’s products, together with those of its affiliate, Middlesex Mutual Assurance Company (“Middlesex”), a Connecticut mutual insurance company, are marketed under the group trade name, MiddleOak[®]. Specialty products are marketed as MiddleOak Specialty[®] products. Since 2003, Holyoke and Middlesex have shared common management. Since 2007, the two companies have also shared common board members.

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	\$ 1,605,555
Private Passenger Auto Physical Damage	<u>\$ 1,189,666</u>
Total	\$ 2,795,221

MANAGEMENT

At December 31, 2007, the Officers of the Holyoke Mutual Insurance Company in Salem were as follows:

Barbara Ann Baurer	President & Vice Chairman
David Allen Magers	Executive Vice President & Chief Financial Officer
James Melvin Jacobs	General Counsel, Secretary & Chief Legal Officer

At December 31, 2007, the Directors of the Holyoke Mutual Insurance Company in Salem were as follows:

Barbara A. Baurer	Johnnie D. Blackburn
Deanna L. Frautschi	Alice B. Griffin
James M. Jacobs	Caleb Loring III
David A. Magers	Robert S. Parker
Doyle J. Williams	Peter M. Wood

PRIVATE PASSENGER AUTOMOBILE

Premium Installment Plans

A review of the Company's premium installment plans for private passenger automobile policies written during the period under examination was conducted to determine whether the Company complied with the applicable provisions of its personal premium payment options and was in compliance with R.I. Gen. Laws §27-29-13, and the Rhode Island Department of Business Regulation Office of Legal Counsel Memorandum, dated May 11, 2005.

The company provided the examiner with a listing of 1785 payments made on private passenger automobile policies written from 1/1/07 through 6/30/08. The examiner selected and reviewed a sample of 50 premium payments and noted that the company required a 20% down payment on its 8-pay and 12-pay policies and 25% on its quarterly payment plans. The Company was in violation of R. I. Gen. Laws §27-29-13 which states that the insurer may require a payment of fifteen percent of the annual premium at the time of issuance with the balance to be paid in nine subsequent and equal monthly installments.

Recommendation #1: It is recommended that the company revise its current installment payment plans to reflect the maximum down payment of 15% on its 12-month policies in accordance with R. I. Gen. Laws §27-29-13.

Recommendation #2: It is recommended that the company revise its policies and

procedures to offer the policyholder an option of paying the premium for a 12-month policy with a maximum required down payment of 15% of the annual premium at the time of issuance, with the balance to be paid in at least nine subsequent and equal monthly installments thereafter, in accordance with R. I. Gen. Laws §27-29-13.

Cancellations & Nonrenewals

A review of the Company's private passenger automobile cancellation and 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 and was in compliance with R.I. Gen. Laws §31-47-4 and Rhode Island Insurance Regulation 16.

The Company provided the examiner with a listing of 21 cancellations and 36 nonrenewals of private passenger automobile policies, which were processed during the period under examination. Based on the examination work performed, the examiner noted one exception when the company was unable to locate a file. This one exception was below our error tolerance.

Claims Paid on Total Losses

A review of the Company's private passenger automobile claims paid on total losses for first and third-party claims was conducted to determine whether actions taken by the company complied with R. I. Insurance Regulation 73, Section 7.A.(2), Unfair Property/Casualty Claims Settlement Practices in conjunction with Rhode Island Insurance Bulletin Number 2004-3.

The Company provided the examiner with a listing of 23 first-party and 12 third-party private passenger automobile claims. Based on the examination work performed, the examiner noted no exceptions.


Rec. #	Recommendations	Page #
1	It is recommended that the company revise its current installment payment plans to reflect the maximum down payment of 15% on its 12-month policies in accordance with R. I. Gen. Laws §27-29-13.	7
2	It is recommended that the company revise its policies and procedures to offer the policyholder an option of paying the premium for a 12-month policy with a maximum required down payment of 15% of the annual premium at the time of issuance, with the balance to be paid in at least nine subsequent and equal monthly installments thereafter, in accordance with R. I. Gen. Laws §27-29-13.	8

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.

Assisting the undersigned in the conduct of this examination was Ronald R. Radtke, Senior Market Conduct Examiner.

Respectfully submitted,


Dorothy E. Wendoloski, CFE
Senior Insurance Examiner
Rhode Island Insurance Division



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STATE OF RHODE ISLAND
INSURANCE DIVISION

FEDERAL EXPRESS

April 24, 2009

Sharon K. Gordon, CPA, CFE
Chief Insurance Examiner
Rhode Island Insurance Division
1511 Pontiac Ave., Bldg. 69-2
Cranston, RI 02920

Re: Holyoke Mutual Insurance Company in Salem

Dear Ms. Gordon:

Please accept this letter as the Company's response to the recommendations made by the Department as a result of the market conduct examination.

1. It is recommended that the company revise its current installment payment plans to reflect the maximum down payment of 15% on its 12-month policies in accordance with the R.I. Gen. Laws §27-29-13.

Response: The Company has made an immediate request to our Billing Systems area to amend our documents to reflect a 15% down payment on all currently offered installment payment plans (4, 8 and 12). This will bring our down payment on the 12-pay plan to 15%. In addition, we will instruct our billing customer service and new business processors that 15% should be provided, rather than 20%, as a down payment on any Rhode Island new auto business that comes to their attention in the interim until the system changes can be implemented.

2. It is recommended that the company revise its policies and procedures to offer the policyholder an option of paying the premium for a 12-month policy with a maximum required down payment of 15% of the annual premium at the time of issuance, with the balance to be paid in at least nine subsequent and equal monthly installments thereafter, in accordance with R.I. Gen. Laws §27-29-13.

Response: As a result of the Company's action in response to Recommendation #1, the Company will be in compliance with Recommendation #2.

If you have any questions, please feel free to contact our office.

Very truly yours,

HOLYOKE MUTUAL INSURANCE COMPANY IN SALEM

A handwritten signature in black ink, appearing to read "Kevin Reardon". The signature is fluid and cursive, with a prominent initial "K" and a long, sweeping underline.

Kevin Reardon
Senior Vice President – Claims and Administration
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kevin.reardon@middleoak.com

cc: Debra Wendoloski
Linda B. Potts