



# **Market Conduct Examination**

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HANOVER INSURANCE COMPANY  
AND  
HANOVER NEW JERSEY INSURANCE COMPANY  
WORCESTER, MASSACHUSETTS

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND  
INSURANCE

Office of Consumer Protection Services  
Market Conduct Examinations and Anti-Fraud Compliance

Report Adopted: March 17, 2009

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MARKET CONDUCT EXAMINATION

of the

HANOVER INSURANCE COMPANY

And

HANOVER NEW JERSEY INSURANCE COMPANY

located in

WORCESTER, MASSACHUSETTS

as of

July, 2006

BY EXAMINERS

of the

STATE OF NEW JERSEY

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF CONSUMER PROTECTION SERVICES

MARKET CONDUCT EXAMINATION AND ANTI-FRAUD  
COMPLIANCE SECTION

Report Adopted: March 17, 2009

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# I. INTRODUCTION

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This is a report of the Market Conduct activities of the Hanover Insurance Company and the Hanover New Jersey Insurance Company (hereinafter referred to as “Hanover”, “Hanover New Jersey” or “the Company collectively”). In this report, examiners of the New Jersey Department of Banking and Insurance (hereinafter “the Department” or “DOBI”) present their findings, conclusions and recommendations as a result of their market conduct examination. The Market Conduct team consisted of Monica Koch, Examiner-In-Charge, and examiners Robert Guice and Ralph Boeckman.

## A. SCOPE AND PURPOSE OF THE EXAMINATION

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The purpose of this examination was to evaluate Hanover Insurance Company and Hanover New Jersey Insurance Company’s compliance with select portions of the FAIR ACT, and targeted regulations and statutes that pertain to private passenger automobile insurance. This examination covered the Company’s New Jersey private passenger automobile insurance business activities during the period October 1, 2004 to September 30, 2005. The examiners completed their fieldwork at the Company’s Piscataway, New Jersey office between January 3, 2006 and March 26, 2006. On various dates thereafter, the examiners completed additional review work and report writing.

The examiners randomly selected files and records from computer listings and documents provided by the Company. The random selection process is in accordance with the National Association of Insurance Commissioner's (NAIC) Market Conduct Handbook. In addition, the examiners used the NAIC Handbook, Chapter VI - Conducting the Property and Casualty Examination, as a guide to examine the Company and write this report.

## B. ERROR RATIOS

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Error ratios are the percentage of files that the examiners found to be handled in error. Each file either mishandled or not handled in accordance with applicable state statutes or regulations is an error. Even though a file may contain multiple errors, the examiners counted the file only once in calculating the error ratios; however, any file that contains more than one error will be cited more than once in the report. In the event that the Company corrected an error as a result of a consumer complaint or due to the examiners’ findings, the error is included in the error ratio. If the Company corrects an error independent of a complaint or DOBI intervention, the error is not included in the error ratios.

For the purposes of the electronic database analyses, the examiners define an exception as a record in a database that does not meet specific criteria as set forth in database queries. The file or record has not been reviewed in depth by an examiner.

Whenever the examiners find that a company commits a type of error with sufficient frequency, they will cite the errors as an improper general business practice. If an error constitutes an improper general business practice, the examiners have stated this in the report.

The examiners sometimes find improper general business practices of an insurer that may be technical in nature or which did not have an impact on a consumer. Even though such a practice would not be in compliance with applicable law, the examiners do not count each of these files as an error in determining error ratios. Whenever such business practices do have an impact on the consumer, each of the files in error will be counted in the error ratio. The examiners indicate in the report whenever they did not count any particular files in the error ratio.

The examiners submitted written inquiries to Company representatives on the errors cited in this report. This provided Hanover the opportunity to respond to the examiners' findings and provide exception to the errors cited or mishandling of files reported herein. In response to these inquiries, Hanover agreed with some of the errors cited in this report. On those errors with which the Company disagreed, the examiners evaluated the merits of each response and gave due consideration to all of its comments. In some instances, the examiners did not cite the files due to the Company's explanatory responses. In others, the errors remained as cited in the examiners' inquiries.

## **C. COMPANY PROFILE**

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The Hanover Fire Insurance Company was founded in New York City on April 15, 1852 to protect business and homeowners from fire hazards. By the early 20th Century, Hanover began to expand its business to include automobile and marine insurance policies. On January 1, 1958 the word "Fire" was deleted and the administrative offices were moved from New York City to Worcester, Massachusetts in November 1969. The Company was reincorporated under the laws of New Hampshire on October 5, 1972. Allmerica Financial Corporation, a holding company, was formed during 1992 and pursuant to a plan of reorganization it acquired 100% of the outstanding common stock of the Hanover Insurance Company. Effective December 1, 2005 Allmerica Financial Corporation changed its name to the Hanover Group, Inc.; its stock traded on the New York Stock Exchange under the symbol THG.

The Hanover New Jersey Insurance Company, founded in 2003, is a wholly owned stock subsidiary of the Hanover Insurance Company. It is domiciled in New Hampshire and was subsequently admitted and authorized to transact private passenger automobile insurance business in New Jersey, the only line of business and state in which it currently writes.

By Order # C04-104, signed by the Commissioner on April 30, 2004, the Hanover Insurance Co. was authorized to non-renew all of its existing NJ private passenger automobile insurance policies expiring on or after October 15, 2004; these policies were transferred to The Hanover New Jersey Insurance Co. Additionally, all new private passenger automobile insurance written by Hanover effective July 1, 2004 and later have been written in The Hanover New Jersey Insurance Co. Through June 30, 2009 The Hanover Insurance Co. has guaranteed the operations of The Hanover New Jersey Insurance Co.; as of July 1, 2009 The Hanover New Jersey Insurance Co. will be a stand-alone company with no further support, guarantees, reinsurance or assistance of any form from The Hanover Insurance Co. and its affiliates.

## II. COMPLAINT REVIEW

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### A. INTRODUCTION

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During the period October 1, 2004 to September 30, 2005, Hanover's complaint register indicated that consumers filed a total of three complaints directly with the company, and 83 complaints with the Department of Banking and Insurance (DOBI). The examiners reviewed 35 DOBI complaint files randomly selected from the total population of 86 direct and DOBI complaints.

In reviewing these complaints, the examiners checked for compliance with applicable statutes and regulations, with emphasis on N.J.S.A. 17:23-1 (Prompt response to complainant), N.J.A.C. 11:2-17.6(d) and (e) and N.J.S.A. 17:29B-4 (Complaint handling procedures) and the National Association of Insurance Commissioners (NAIC) Market Conduct Examination standards outlined in Chapter VI – Conducting Property and Casualty Insurance Examinations. The chart below summarizes the examiners' findings in the complaint review.

### B. COMPLAINT HANDLING EXCEPTIONS

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The examiners randomly selected and reviewed 35 complaint files and found three DOBI files in error, for an error ratio of 9%. The examiners found no errors on any direct complaints. Errors and error ratios by complaint category are itemized in the chart that follows:

<b>Complaint Category</b>	<b>Files Reviewed</b>	<b>Files in Error</b>	<b>Error Ratios</b>
Claims	17	01	06%
Underwriting/Rating	11	01	09%
Policyholder Service	07	01	14%
Total	35	03	09%

### C. EXAMINERS' FINDINGS

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#### **1. Delayed Response to Department of Banking and Insurance Complaints– 3 Files in Error**

N.J.S.A. 17:23-1 requires insurers to respond promptly in writing to all inquiries from the Commissioner. In addition, Standard Four of the complaint

handling section of the NAIC Market Conduct Examiners Handbook states that “the time frame within which the company responds to complaints (should be) in accordance with ... applicable statutes, rules and regulations.” Lastly, **N.J.A.C. 11:2-17.6(d)** requires insurers to provide complete and accurate responses within 15 working days to claim related inquiries from the New Jersey Department of Banking and Insurance. Combined, **N.J.A.C. 11:2-17.6(d)** and **N.J.S.A. 17:23-1** establish a reasonable response period of 15 working days.

The examiners found two DOBI non-claim complaints and one DOBI claim-based complaint where the Company failed to respond within the 15 working day period outlined above. In response to an inquiry, the Company agreed with the examiners’ findings.

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**PLEASE SEE APPENDIX A1 FOR LIST OF COMPLAINTS IN ERROR**

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## **D. CURRENT FINDINGS VS. FINDINGS OF 2000 EXAM**

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During the 2000 examination, the market conduct examiners cited Hanover for deficiencies in its complaint register. These deficiencies included failure to maintain a complete complaint log, failure to record all DOBI and direct complaints and failure to record accurate receipt and response dates in the complaint log. The current examination found no such log deficiencies.

The 2000 examination report cited delayed responses on nine out of 52 total files reviewed, for a response error rate of 17%. The current examination report cites three such errors out of 35 files reviewed, for a response error rate of 9%. This represents an improvement of 8 percentage points compared to the prior examinations.



# III. RATING, UNDERWRITING AND POLICYHOLDER SERVICE

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## A. INTRODUCTION

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The examiners reviewed 151 randomly selected new and renewal policies from Hanover's population of 2,829 and Hanover New Jersey's population of 42,113 personal auto policies in force as of September 30, 2005. The review period for this current examination overlapped Hanover Insurance Company's transition of policies from Hanover to Hanover New Jersey Insurance Company. The transition period began on July 1, 2004 when Hanover ceased writing new business policies and Hanover New Jersey started writing new business policies. The transition for renewals started on October 15, 2004. Beginning on this date, any Hanover policy that came due for renewal was nonrenewed and simultaneously offered coverage with Hanover New Jersey. New Jersey Department of Banking and Insurance (NJDOBI) Order C04-104 set forth the guidelines for the transition process. One section of the Order addressed the timeframes for sending out renewal notices. In that section, the Department permitted the Company to extend the timeframes for sending a renewal notice from between 45 and 30 days prior to policy expiration to between 90 and 65 days prior to expiration of the current policy. The extended time frames Permitted Hanover New Jersey to issue a nonrenewal notice on Hanover Insurance Company's behalf. Concurrent with the nonrenewal notice, Hanover New Jersey issued an offer of coverage to insureds' whose policies were nonrenewed by Hanover Insurance Company.

The examiners checked for compliance with Order C04-104 and applicable statutes and regulations including N.J.S.A. 17:29A-6, 15, 36 and 38 (filed and approved rating methods), N.J.A.C. 11:3-39 (premium discounts), N.J.A.C. 11:3-39.4 (anti-theft discounts), N.J.A.C. 11:3-15 (coverage selection forms), N.J.A.C. 11:3-36 (physical damage inspections), N.J.A.C. 11:3-35 (automobile insurance underwriting rules), N.J.A.C. 11:3-19A (Tier rating plans and underwriting rules) and N.J.A.C. 11:3-47 (insurance scenarios). These statutory and administrative requirements relate to the NAIC Standards of Chapter VIII – Conducting the Property and Casualty Insurance Examination of the Market Conduct Examiners Handbook.

## B. ERROR RATIOS

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The examiners calculated the error ratios by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately based on the review samples as indicated in the following charts.

<u>Review</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
<b><u>New Business Policies</u></b>			
Hanover Insurance Company*	0	0	0%
Hanover New Jersey Insurance Company	50	10	20%
<b><u>Renewal Policies</u></b>			
Hanover Insurance Company	41	0	0%
Hanover New Jersey Insurance Company	<u>60</u>	<u>18</u>	17%
<b>Total</b>	<b>151</b>	<b>28</b>	<b>19%</b>

\* Hanover Insurance Company ceased writing new business policies effective July, 1 2004

## C. EXAMINERS' FINDINGS

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### 1. **Deficient Renewal Billing Notices/Failure to Advise Insured of Payment Options – 101 Files in Error – (Improper General Business Practice)**

**N.J.A.C. 11:3-8.3(b)2iii** states in part that renewal billing notices shall clearly and conspicuously include a statement advising whether the insured has the option to make payment to the insurance producer.

The examiners reviewed sample billing notices and determined that Hanover did not include the required statement to the insured which advises of the option to pay the insurance producer.

In response to inquiries, the Company agreed with the examiners' findings. Since these deficiencies were present on all renewal billing notices, the examiners cited this error as an improper general business practice.

**SEE APPENDIX B-1 FOR A LIST OF FILES IN ERROR**

**2. Failure to Grant Anti-Theft Discount – 14 Files in Error (Improper General Business Practice)**

**N.J.S.A. 17:33B-44** and **N.J.A.C. 11:3-39.4** require every insurer writing physical damage coverage to provide a reduction in the base rates for private passenger vehicles equipped with one or more anti-theft or vehicle recovery devices. In addition, and pursuant to **N.J.S.A. 17:29A-6 & 15**, the rate manual that the Commissioner has approved for Hanover New Jersey's use requires the Company to discount premiums for physical damage coverage whenever a vehicle has an anti-theft device.

Contrary to the above statutes, the Company failed to apply the anti-theft discount to nine out of the 50 new business policies and 5 out of 60 renewal policies reviewed. The examiners further determined that there were a total of 17 vehicles that were eligible for the anti-theft discount on a total of 14 policies cited this error. While in some instances information regarding the anti-theft system was not on the original application, it did nevertheless appear on the company's physical damage inspection report. In other instances, eligibility for this discount was evident on the new car window sticker that was provided to the company. Hanover disagreed with many of the examiner's findings, and in response to inquiries stated, "Anti-theft credits are added to each vehicle based on information provided by the insured to the agent." The Company further advised that the system generates anti-theft credits based on the information entered by the agent when the agent keys in the vehicle. The examiners note, however, that Hanover is ultimately responsible for rating and underwriting a policy in accordance with its filed and approved rating plan. The examiners cited this error as an improper general business practice.

**SEE APPENDIX B-2 FOR A LIST OF FILES IN ERROR**

**3. Insufficient Renewal Billing Notice Time - 11 Files in Error**

**N.J.A.C. 11:3-8.3(b)** states that each renewal offer shall be in the usual form of either a renewal policy, a certificate, or a renewal offer or bill. A renewal offer or bill shall indicate the date by which the renewal premium is due. The renewal bill or offer shall be mailed or delivered by the insurer to the insured not more than 45 days and not less than 30 days prior to the date the renewal premium is due. However, in order to transition business from the Hanover Insurance Company to the Hanover New Jersey Insurance Company, **NJDOBI Order C04-104** required Hanover to issue notices of nonrenewal to policyholders at least 65 days and not more than 90 days prior to the expiration

of the policy. Additionally, the Order specified that offers of coverage to eligible Hanover Insurance Company policyholders should be mailed with the nonrenewal notices from Hanover Insurance Company. The time requirements specified in the order applied to all policies with renewal effective dates between October 16, 2004 and October 15, 2005.

While reviewing the Company's underwriting files, the examiners found 11 policies where the Company failed to comply with the time frames listed in Order C04-104. The renewal notices for the 11 policies cited were issued between 56 and 62 days prior to the renewal period, which is contrary to this Order. In response to inquires, the Company agreed with the examiners' findings.

**SEE APPENDIX B-3 FOR A LIST OF FILES IN ERROR**

**4. Deficient Coverage Selection Form – 1 File in Error**

Pursuant to **N.J.A.C. 11:3-15.6(a)**, each insurer shall have a separate Coverage Selection Form for the Standard Policy and for the Basic Policy, using the text found in Appendix Exhibits 1 and 2 of that regulation. While conducting a review of Hanover New Jersey's new business policies, the examiners found one policy that utilized coverage selection form number 231-1085 (6-03). This form is deficient because, even though it listed several deductibles from which the applicant could choose, it failed to include the required \$750.00 deductible that is the standard deductible for collision and comprehensive coverage. Failure to list this deductible is contrary to the regulation stated above.

The Company agreed with the examiners and stated in part that an agency may have inadvertently retained and used old stock instead of new, revised forms.

**SEE APPENDIX B-4 FOR A LIST OF FILES IN ERROR**

**D. GENERAL FINDINGS**

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**1. Failure to Follow Filed and Approved Underwriting Guidelines - 1 File in Error**

**N.J.S.A. 17:29A-6 & 15** require insurers to file a rating plan with the Commissioner for approval and does not allow insurers to charge, demand or receive a premium for any policy of insurance except in accordance with the respective rating systems on file with and approved by the Commissioner. Hanover's filed and approved underwriting and rating plan allows it to assess points for a lapse in coverage for the purposes of aiding in determining tier

level. Such points are assessed for a total of three years, starting at the first policy period immediately after the lapse occurred.

While reviewing the Company's renewal policies, the examiners found one policy where the insured experienced a one day lapse in coverage while switching from another insurance carrier to Hanover. Hanover assigned the appropriate number of eligibility points and placed the insured in a higher rated tier. However, at the end of three-year point exposure period, Hanover failed to remove these points, causing the policy to renew once again in the higher tier when the insured was eligible for a lower-rated tier.

In response to an inquiry, the Company agreed with the examiners' findings and stated that it would re-rate the insured and return the appropriate premium to the insured.

**SEE APPENDIX B-5 FOR A LIST OF FILES IN ERROR**

## **E. SUMMARY AND COMPARISON TO 2000 MARKET CONDUCT EXAMINATION REPORT**

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The examiners checked for compliance with the recommendations specified in the 2000 market conduct examination report and found only one error that was repeated in the current examination – failure to issue renewal billing notices in a timely manner.

In the 2000 examination the examiners found 45 rating and underwriting random sample errors on 80 files, resulting in an error rate of 56%. The current examination yielded 28 errors out of 151 files reviewed for an error rate of 19%.

# IV. TERMINATIONS

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## A. INTRODUCTION

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During the review period October 1, 2004 to September 30, 2005, Hanover Insurance Company nonrenewed 251 automobile policies and Hanover New Jersey Insurance Company nonrenewed 13 automobile policies. In the same period, Hanover Insurance Company cancelled two policies within the first 60 days and 214 policies beyond the first 60 days. Hanover New Jersey cancelled 1,451 policies within the first 60 days and cancelled 2,597 policies beyond the first 60 days.

Errors, described by type, appear in the chart that follows in the next subsection. The examiners checked for compliance with applicable statutes and regulations and NAIC standards related to this area. These included **N.J.A.C. 11:3-8** (nonrenewal of automobile policies), **N.J.S.A. 17:33B-15** and **16** (“Take All Comers” laws), **N.J.A.C. 11:3-34** and **N.J.A.C. 11:3-40** (eligible persons), **N.J.A.C. 11:3-44** (rules for effecting auto insurance coverage), **N.J.A.C. 11:3-33** (appeals from denial of insurance), **N.J.S.A. 17:29C-7** and **10** (automobile insurance cancellations) and NAIC Standards 15 (rejections and declinations), 16 and 17 (cancellation/nonrenewal notices) outlined in the NAIC Handbook.

## B. ERROR RATIOS

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<b><u>Review</u></b>	<b><u>File Review</u></b>	<b><u>Files in Error</u></b>	<b><u>Error Ratio</u></b>
<b>Hanover Ins Co</b>			
Nonrenewals	13	8	62%
First 60 day Cancellations	87	0	0%
<b>Sub Totals</b>	100	8	8%
<b>Hanover New Jersey</b>			
Nonrenewals	13	13	100%
First 60 Day Cancellations	5	0	0%
<b>Sub Totals</b>	18	13	72%
<b>Overall Totals</b>	118	21	18%

## C. EXAMINERS’ FINDINGS

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### **1. Failure to Provide Proper Time for Notice on Nonrenewals - 4 Files in Error**

**N.J.A.C. 11:3-8.3(e)** states that a notice of nonrenewal shall not be valid unless it is mailed or delivered by the insurer to the named insured policyholder no less than 60 days and no more than 90 days prior to the expiration of the current policy. Contrary to the above stated regulation, the examiners found that Hanover Insurance Company provided notice in excess of the maximum time period specified in **N.J.A.C. 11:3-8.3(e)**. Days in error ranged from 1 to 15 days in excess of the maximum 90 day notice period.

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**PLEASE SEE APPENDIX C1 FOR LIST OF FILES IN ERROR**

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**2. Failure to State Information Sources on Termination Notices – 5 Files in Error**

**N.J.A.C. 11:3-8.3(e)1** states that, “A notice of nonrenewal shall not be valid unless it includes ... facts necessary for identification of the incident(s)...” that the insurer relied upon in its decision to terminate the policy. In addition, **N.J.S.A. 17:33B-16** and **N.J.A.C. 11:3-33.4(a) & (b)** require insurers to explain the reasons for termination in a manner that is comprehensive and which identifies the specific basis upon which an insured is ineligible.

Contrary to the statute and regulations stated above, the examiners found 5 nonrenewal notices in which Hanover failed to identify the source (ChoicePoint, CLUE, MVR Reports, etc) from which it obtained information on the accidents, and further failed to identify violations that it referenced as the reason for termination.

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**PLEASE SEE APPENDIX C2 FOR LIST OF FILES IN ERROR**

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**3. Failure to Provide the Designated Provision under which Action is taken to Nonrenew a Policy - 4 Files in Error**

**N.J.A.C. 11:3-8.3(e)1** states that a notice of nonrenewal shall not be valid unless it contains the designated provision under which action is being taken. The examiners noted that on four nonrenewal notices the Company failed to include the regulatory provisions under which the Company terminated these policies. Hanover agreed with these errors.

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**PLEASE SEE APPENDIX C3 FOR LIST OF FILES IN ERROR**

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**4. Failure to Abide by Provisions of Commissioner’s Order C04-104 on Internal Policy Transfers - 8 Files in Error**

Consent Order C04-104 names Hanover Insurance Company as a party to a Consolidation Market Transaction. This Transaction involved nonrenewing

current Hanover Insurance Company policyholders, and then offering coverage with Hanover of New Jersey. Pursuant to the Order, Hanover Insurance Company agreed to “...cause to be issued notices of non-renewal to its private passenger automobile insurance policyholders, which shall be mailed to or delivered to the insured at least 65 days but no more than 90 days prior to the expiration date of such policies in accordance with New Jersey Law...”

Contrary to the above-stated Order, Hanover Insurance Company failed to provide at least 65 day’s notice of nonrenewal. Days for notice ranged from a low of 56 to a high of 63.

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**PLEASE SEE APPENDIX C4 FOR LIST OF FILES IN ERROR**

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# V. CLAIMS

## A. INTRODUCTION

This review covers Personal Injury Protection (PIP) and Total Loss claims submitted under private passenger automobile insurance. Any New Jersey claim closed between October 1, 2004 and September 30, 2005 was subject to review. Hanover paid 2,716 PIP claims and closed 898 PIP claims without payment. The Company also closed 1,330 paid total loss claims. From this total, the examiners randomly selected and reviewed 170 paid PIP, denied PIP and total loss claims.

In reviewing each claim, the examiners checked for compliance with all applicable statutes and regulations that govern timeliness requirements in settling first party claims. The examiners conducted specific reviews placing particular emphasis on N.J.S.A. 17:29B-4(9), N.J.A.C. 11:2-17 (Unfair Claims and Settlement Practices), N.J.A.C. 11:3-10.4 (Adjustment of Total Losses) and N.J.S.A. 39:6A-5 (payment of Personal Injury Protection Benefits). These requirements relate to the NAIC Market Conduct standards of Chapter VI - Property and Casualty Insurance Examinations.

## B. ERROR RATIOS

The examiners calculated the error ratios by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately based on the review samples as indicated in the following charts. The review consisted of one randomly selected bill from each file.

<u>Paid Random Sample</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
<b><u>Pip Claims</u></b>			
Hanover Insurance	75	14	19%
Hanover New Jersey	<u>25</u>	<u>7</u>	28%
<b>Paid PIP Subtotal</b>	<b>100</b>	<b>21</b>	<b>21%</b>
<b><u>Total Losses</u></b>			
Hanover Insurance	22	3	14%
Hanover New Jersey	<u>7</u>	<u>0</u>	<u>0%</u>
<b>Total Loss Subtotal</b>	<b>29</b>	<b>3</b>	<b>10%</b>

<u>Denied Random Sample</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
<b><u>Pip Claims</u></b>			
Hanover Insurance	27	3	11%
Hanover New Jersey	<u>14</u>	<u>3</u>	<u>21%</u>
<b>Denied PIP Subtotal</b>	<b>41</b>	<b>6</b>	<b>15%</b>
<b>Random Totals</b>	<b>170</b>	<b>30</b>	<b>18%</b>

## **C. PERSONAL INJURY PROTECTION CLAIMS**

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### **1. Failure to Settle PIP Claims Timely – 15 Files in Error (Improper General Business Practice)**

N.J.S.A. 39:6A-5(g) states that a claim "shall be overdue if not paid within 60 days after the insurer is furnished written notice of the fact of a covered loss..." N.J.A.C. 11:2-17.7(b) states that, "The maximum period for all personal injury protection (PIP) claims shall be 60 calendar days after the insurer is furnished written notice of the fact of a covered loss; provided however that an insurer may secure a 45-day extension in accordance with N.J.S.A. 39:6A-5." In addition, the examiners checked for compliance with Standard number three in the claims section of the NAIC Market Conduct Examination handbook which states that the examiners should verify that claims are resolved in a timely manner.

The examiners reviewed 100 paid PIP claims and found 15 (ten from Hanover Insurance Company and five from Hanover New Jersey) in which the Company failed to pay the claim within the maximum periods specified N.J.S.A. 39:6A-5(g) and N.J.A.C. 11:2-17.7(b). Delays ranged from a low of 6 days beyond 60 to a high of 192 days beyond 60. In response to the examiners' inquiries, Hanover agreed with these errors.

**SEE APPENDIX D-1 FOR A LIST OF FILES IN ERROR**

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### **2. Failure to Pay Interest on Delayed PIP Payments – 14 Files in Error (Improper General Business Practice)**

N.J.S.A. 39:6A-5(h) requires the payment of interest on all overdue benefits. This is relative to Standard number six in the claims section of the NAIC Market Conduct Handbook, which states that "Claims (should be)

properly handled in accordance with policy provisions and applicable statutes, rules and regulations.”

The examiners found that Hanover failed to pay interest on 14 (ten from Hanover Insurance Company and four from Hanover New Jersey) of the 15 delayed paid claims referenced in item V.C.1 above. The examiners cited this error as an improper general business practice. In response to an inquiry, Hanover agreed with this error.

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**SEE APPENDIX D-2 FOR A LIST OF FILES IN ERROR**

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**3. Failure to Send Denial Letters – 4 Files in Error**

**N.J.A.C. 11:2-17.8(b)** requires an insurer to confirm all denials or offers of compromise to the claimant in writing and keep a copy in the appropriate claim file. The examiners checked for compliance with Standard number 11 in the claims section of the NAIC Market Conduct Examination Handbook, which states that, “denied and closed without payment claims (should be) handled in accordance with policy provisions and state law.” The examiners found four PIP claims where the Company received a bill for treatment from a provider and failed to send a denial letter to the provider for that bill.

The Company agreed with the examiners’ findings on the four claims cited in this section.

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**SEE APPENDIX D-3 FOR A LIST OF FILES IN ERROR**

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**4. Failure to Retain Pertinent Information in Claim Files – 4 Errors**

**N.J.A.C. 11:2-17.12(b)** requires that detailed documentation shall be contained in each claim file in order to permit the examiner to reconstruct the Company’s activities relative to the claim settlement. During the claim review, the examiners found a total of four PIP files that did not contain documentation as required by **N.J.A.C. 11:2-17.12(b)**. Three of the cited claim files failed to contain the medical provider bill for which payment was issued. The fourth claim failed to contain the completed Application for PIP Benefits form.

The Company agreed with the examiners findings and advised that it was unable to produce the required documentation for all files cited.

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**SEE APPENDIX D-4 FOR A LIST OF FILES IN ERROR**

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## **5. Failure to Provide PIP Application within 10 Working Days – 3 Files in Error**

**N.J.A.C. 11:2-17.6(c)** states that every insurer, upon receiving notification of claim, shall promptly provide first party claimants with necessary claim forms, instructions and reasonable assistance so that such claimants can comply with the policy conditions and the insurer's reasonable requirements. **N.J.A.C. 11:2-17.6(b)** identifies a prompt response as one that occurs within 10 working days from receipt. Compliance with this subsection(c) within 10 working days of notification of a claim shall constitute a prompt response. This is relative to Standard number six in the claims section of the NAIC Market Conduct Handbook, which states that "claims (should be) properly handled in accordance with policy provisions and applicable statutes, rules and regulations."

Contrary to **N.J.A.C. 11:2-17.6(c)**, Hanover failed to send the PIP application to the first party claimants within the required 10 working day period on 3 claims. The Company agreed with the examiner's findings.

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**SEE APPENDIX D-5 FOR A LIST OF FILES IN ERROR**

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## **6. Failure to Deny PIP Claims Timely – 1 File in Error**

**N.J.S.A. 39:6A-5g** states that a claim "shall be overdue if not paid within 60 days after the insurer is furnished written notice of the fact of a covered loss..." **N.J.A.C. 11:2-17.7(b)** states that, "The maximum period for all personal injury protection (PIP) claims shall be 60 calendar days after the insurer is furnished written notice of the fact of a covered loss; provided however that an insurer may secure a 45-day extension in accordance with **N.J.S.A. 39:6A-5**." In addition, the examiners checked for compliance with Standard number three in the claims section of the NAIC Market Conduct Examination handbook which states that the examiners should verify that claims are resolved in a timely manner.

The examiners found that Hanover failed to deny one PIP claim within the maximum 60-calendar day time frame without securing additional time to investigate, contrary to the above statute and regulation. In response to inquiries, the Company agreed that it failed to send the denial letter in a timely manner.

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**SEE APPENDIX D-6 FOR A LIST OF FILES IN ERROR**

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## **7. Improper Payment of PIP Benefit when Health Carrier Elected as Primary over PIP**

N.J.S.A. 39:6A-4.3 and N.J.A.C. 11:3-14.5 allow an insured to elect a health insurance carrier as the primary provider of personal injury protection benefits instead of the auto insurer. The examiners found one paid PIP claim where the insured in fact elected a health insurance carrier to be primary for PIP benefits. Contrary to this election, Hanover paid a PIP bill as a primary PIP carrier. In response to an inquiry, the Company advised that the bill was paid in error and the Company would seek reimbursement of the overpayment.

## **D. PHYSICAL DAMAGE – TOTAL LOSS CLAIMS**

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### **1. Failure to Maintain Total Loss Settlement Paperwork in the Claim File - 2 Files in Error**

N.J.A.C. 11:3-10.4(a) requires insurers to include in the claim file written itemized valuations showing all options and deductions. On two claims the examiners were unable to locate the total loss paperwork from CCC to confirm the amount of the settlement.

In response to an inquiry the Company advised that it would request copies of the total loss valuations and provide them to the examiners upon receipt. Ultimately, the Company was unable to provide the required total loss valuations to the examiners. Failure to retain such documentation is contrary to N.J.A.C. 11:3-10.4(a).

**SEE APPENDIX D-8 FOR A LIST OF FILES IN ERROR**

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### **2. Failure to Properly Calculate ACV on a Physical Damage Claim – 1 File in Error**

Pursuant to N.J.A.C. 11:3-10.4(a), if the insurer elects to make a cash settlement, its offer is subject to applicable additions or deductions and must include the applicable sales tax. On one total loss file the Company utilized CCC to establish the settlement value; Hanover calculated sales tax, subtracted the applicable deductible and established the actual cash value offer to the insured. The insured requested additional consideration for a new motor starter, and Hanover added that value to the settlement offer. However, the company failed to include sales tax on the added value, contrary to N.J.A.C. 11:3-10.4(a).

The Company agreed with the examiners findings and advised that it would issue supplemental payment to the policyholder.

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**SEE APPENDIX D-8 FOR A LIST OF FILES IN ERROR**

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## **E. SUMMARY AND COMPARISON TO 2000 MARKET CONDUCT EXAMINATION REPORT**

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The examiners checked for compliance with the recommendations as specified in the 2000 market conduct examination report and found only one error repeated in the current examination. However, the examiners found additional errors in the current examination that did not appear in the prior exam. The repeated error was failure to pay PIP claims timely. While the 2000 examination cited one PIP claim in error, the current examination cited 15 PIP claims in error due to settlement delays, and 14 files in error out of 15 delayed files for failure to pay interest.

In the 2000 report the examiners found 36 files in error out of 100 files reviewed (collision, comprehensive, property damage, PIP, total losses) for an overall error ratio of 36%. In the current exam, the examiners found 30 files in error out of 170 files reviewed (PIP and total losses) for an overall error ratio of 18%. Regarding PIP, the 2000 examination reported one delayed PIP settlement out of 14 reviewed, for an error ratio of 7%. The current examination reported 21 delayed PIP settlements out of 100 paid PIP claims, for an error ratio of 21%.

## VI. RECOMMENDATIONS

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To the extent applicable to the review period through the end of calendar year 2008 as a result of the repeal of the Fair Automobile Insurance Reform Act of 1990, P.L. 1990, c. 8, and in a manner that is not inconsistent with P.L. 2003, c.89, the Hanover Insurance Companies should inform all responsible personnel and third party entities who handle the files and records cited as errors in this report of the examiners' recommendations and remedial measures that follow in the report sections indicated. The examiners also recommend that the Company establish procedures to monitor compliance with these measures.

Throughout this report, the examiners cite and/or discuss all errors found. If the report cites a single error, the examiners often include a "reminder" recommendation because if a single error is found, more errors may have occurred.

Various non-compliant practices were identified in this report, 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 according to New Jersey law and regulations. When applicable, corrective action for other jurisdictions should be addressed.

The examiners acknowledge that during the examination, the Companies agreed and had already complied with, either in whole or in part, some of the recommendations. For the purpose of obtaining proof of compliance and for the Company to provide applicable personnel with a document they can use for future reference, the examiners have listed all recommendations below.

On all policies to be reopened for premium refund or additional payment as recommended, a letter should be sent to the insured with an accompanying cover letter containing the following first paragraph (variable language is included in parentheses):

### **PREMIUM REFUND/ADJUSTMENT**

"During a recent review of our policy files by market conduct examiners of the New Jersey Department of Banking and Insurance, they found that we failed to discount your (personal injury protection premium due to being eligible for an anti-theft discount). Enclosed is our (payment/credit) in the amount of (insert amount) to correct our error. We have ratered your policy to provide you with this discount on all eligible vehicle(s)."

### **UNDERPAID CLAIMS**

"During a recent review of your claim by Market Conduct examiners of the New Jersey Department of Banking and Insurance, they found that we

underpaid your claim in the amount of (indicate amount). Enclosed is our check to correct this error.”

## **A. GENERAL INSTRUCTIONS**

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All items requested for the Commissioner and copies of all written instructions, procedures, recommended forms, etc., should be sent to the Commissioner, c/o Clifton J. Day, Manager of the Market Conduct Examinations and Anti-fraud Compliance Unit, Mary Roebling Building, 20 West State Street, PO Box 329, Trenton, N.J. 08625, within thirty (30) days of the date of the adopted report.

## **B. COMPLAINTS**

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1. The Company should issue written instructions to appropriate personnel stating that:
  - a. Pursuant to N.J.A.C. 11:2-17.6 (d) a written response is required within 15 days to claims related inquiries from the NJDOBI.
  - b. Pursuant to N.J.S.A. 17:23-1 and N.J.A.C. 11:2-17.6 (d), a prompt written response is required within 15 days to all inquiries from the New Jersey Department of Banking and Insurance.

## **C. RATING, UNDERWRITING AND POLICYHOLDER SERVICE**

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2. In order to comply with N.J.A.C. 11:3-8.3(b)2iii, Hanover must revise its renewal billing notice to include a statement that the insured has the option to provide premium payments to an authorized insurance producer.
3. Hanover must issue written reminders to all applicable staff that it must comply with all obligations outlined in administrative orders.
4. Hanover must issue written instructions to appropriate personnel that vehicles with anti-theft devices must receive the correct discount pursuant N.J.S.A. 17:29A-6 & 15. Appropriate personnel should review and revise the company’s rating and underwriting procedures to ensure that all eligible vehicles are provided this discount.
5. Subject to any agreed, substantially similar course of remediation, Hanover must review all auto policies cited in this report for eligibility for anti-theft discounts. The Company is to issue refunds or credits for all such eligible policies, including all policy terms for which the insured qualified for this discount. For the period calendar year 2005 to the present, Hanover must research it entire in-force population of insured vehicles, identify those that qualify for this discount and issue



refunds or credits as appropriate. Upon completion, Hanover must provide the Commissioner with a summary list of all policies that were reopened with a refund or credit. This list must include policy number, policy period(s) in error, total refund or credit, date of refund or credit and grand total of all refunds or credits.

6. The Company should issue a written reminder to appropriate personnel and all agents that it's filed and approved underwriting and rating guidelines must be adhered to at all times. Specifically, Hanover should develop procedures designed to ensure that eligibility points are removed from the insured's rating profile once they expire.
7. In order to comply with informational requirements outlined in N.J.A.C. 11:3-15.6(a) et seq., Hanover must remind appropriate personnel and all agents that current filed and approved coverage selection forms must be used and to not provide any superseded form to insureds and applicants.

#### **D. TERMINATIONS**

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8. Pursuant to N.J.A.C. 11:3-8.3(e), Hanover should remind all appropriate personnel that a notice of nonrenewal shall not be valid unless it is mailed or delivered by the insurer to the policyholder no less than 60 days and no more than 90 days prior to the expiration of the current policy.
9. In order to comply N.J.A.C. 11:3-8.3(e)1, Hanover must issue instructions to its appropriate personnel stating that nonrenewal notices must identify the source from which the Company obtains information concerning the insured's accidents or traffic violations. This includes, but is not limited to, information obtained from Choicepoint, MVR Reports, Equifax, etc.
10. Pursuant to N.J.A.C. 11:3-8.3(e)1, Hanover must include on termination notices the designated provisions of N.J.A.C. 11:3-8.3 under which the insured relies in its decision to terminate a policy. The Company should issue a written explanation of this requirement to all applicable personnel.

#### **E. CLAIMS**

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11. The Company must issue written instructions to all appropriate PIP claims handling personnel stating that:
  - a. **N.J.S.A. 39:6A-5** and **N.J.A.C. 11:2-17.7(a)** require all PIP claims to be settled (paid, denied or compromised) within 60 days unless an extension of 45 days is requested in writing and within this 60-day period, and for

a total period not to exceed 105 from notice of loss. These instructions must also state that, in the event of delay, interest is required pursuant to **N.J.S.A. 39:6A-5h**.

- b. Pursuant to **N.J.A.C. 11:2:17.6(c)**, insurers are required to provide PIP claimants with all necessary claim forms and instructions within 10 working days from notice of loss.
12. Subject to any agreed, substantially similar course of remediation, Hanover must reopen and review all PIP claims paid from calendar year 2005 to the present to determine if interest is owed to the claimant. For all payments made beyond the required time period, interest should be calculated and paid for the period of delay as required by **N.J.S.A. 39:6A-5h**. A computer list of all files reopened and the amount of interest paid and grand total should be generated and provided to the Commissioner to verify compliance with this recommendation. No interest payments of less than \$1.00 need to be issued; however, all amounts are to be included on the computer listing as requested. Hanover should also provide a summary ledger documenting interest payments made on the claims cited in Appendix D.2 of this report, including a grand total of all interest payments. See General Instructions for cover letter.
13. The Company should remind all appropriate personnel that pursuant to **N.J.A.C. 11:2-17.8(b)**, any PIP denial must be done so in writing and a copy of the written denial must be maintained in the appropriate claim file.
14. Hanover should remind all appropriate personnel that all pertinent information must be retained in the claim file pursuant to **N.J.A.C. 11:2-17.12(b)**. This includes, but is not limited to, provider PIP bills and PIP Applications.
15. Pursuant to **N.J.A.C. 11:2-17.6(c)**, the Company should remind all appropriate personnel to provide first party claimants with all necessary claim forms and instructions, including but not limited to, PIP Applications, within 10 working days from notice of loss.
16. In order to comply with **N.J.S.A. 39:6A-4.3** and **N.J.A.C. 11:3-14.5**, Hanover should remind all appropriate claims handling personnel that it should not pay PIP benefits as a primary carrier when the insured elects a health carrier to be primary over PIP.
17. The Company should remind all appropriate personnel that **N.J.A.C. 11:3-10.4(a)** requires insurers to maintain a copy of the total loss valuation showing all options and deductions in the claim file.
18. Hanover should remind all appropriate personnel that sales tax must be calculated on the agreed actual cash value of all total losses pursuant to **N.J.A.C. 11:3-10.4(a)**. This includes and added-value items that are utilized to establish the final actual cash value. Hanover should calculate and issue the appropriate sales tax to the insured on claim

number 03-424527 listed in Appendix D.9. See General Instructions for cover letter.

# APPENDIX A - COMPLAINTS

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## 1. Failure to Respond Promptly to NJDOBI Complaints – 3 Files in Error

<b><u>Complaint Number</u></b>	<b><u>Complaint Type</u></b>	<b><u>Policy Number</u></b>	<b><u>Document Receipt Date</u></b>	<b><u>Document Response Date</u></b>	<b><u>Working Days Over 15</u></b>
04-81731	Claim	ANG5702277	10/28/04	12/06/04	12
05-84358	Underwriting	AQY5617093	02/09/05	03/16/05	10
05-86902	Underwriting	AQG6260739	05/13/05	06/10/05	4

# APPENDIX B - UNDERWRITING AND RATING

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## 1. Deficient Renewal Billing Notices – 101 Files in Error – (Improper General Business Practice)

<u>Policy Number</u>	<u>Policy Number</u>	<u>Policy Number</u>	<u>Policy Number</u>
ANY 6587445	ANY 3784764	AQY 6660743	AQY 5646450
ANY 6509312	ANG 6373086	AQY 5973813	ANG 6570243
AQG 6242483	AQY 4986547	ANY 6176666	AQY 4835352
ANY 5796297	ANY 6118508	AQY 5620744	AQY 5836730
AQY 6235830	ANY 3897726	AQY 5306056	AQY 5486774
AQY 5827004	ANY 6467097	AQG 5644710	AQG 6341471
ANG 6467736	AQY 5925526	AQG 5646953	AQG 6544227
ANY 6229638	ANY 5915768	AQY 5844724	AQG 6380720
ANY 4784675	ANY 6228449	AQY 5918588	AQY 5774577
ANG 6466317	ANG 6235379	AQY 4430523	AQY 5515645
ANY 0686151	ANY 6020678	AQY 6635862	AQY 6941729
AQY 6121532	ANY 6237254	AQG 5956456	AQY 6694462
ANY 6594037	ANY 6372357	AQY 6307695	AQY 6412621
ANY 2015166	ANY 5922031	AQY 5148891	AQY 6368955
ANY 3257747	ANY 6243397	AQY 5895099	AQY 5863902
ANY 5221994	ANY 4436979	AQY 6601588	AQY 5858364
ANY 5494442	AQY 6573314	AQY 5299866	AQG 6545146
ANY 5917186	AQY 5345524	AQY 6437759	AQY 5544648

ANY 6017485	AQY 5900604	AQY 5236217	AQG 6974685
ANY 6021790	AQY 5548526	AQY 5834582	AQY 5503203
ANY 6299584	AQG 6410584	AQY 6637888	AQY 5475765
ANY 6586267	AQY 6218272	AQY 5982917	AQY 5393368
ANY 6029189	AQY 5781861	AQY 6054358	AQY 5385539
AQY 5828244	AQY 5615342	AQG 5037497	AQY 4939239
ANY 6226065	AQY 5911751	ANY 5399640	AQY 4610210
ANY 5986512			

2. Failure to Grant Anti-Theft Discount – 14 Files in Error (Improper General Business Practice)

<u>Policy Number</u>	<u>Policy Number</u>	<u>Policy Number</u>	<u>Policy Number</u>
AQY 5148891	AQY 5385539	AQY 5544648	AQY 5615342
AQY 5836730	AQY 7750629	AQY 7785417	AQY 7791450
AQY 7792091	AQY 7801064	AQY 7896666	AQY 8023723
AQY 8037665	AQY 8074191		

3. Insufficient Renewal Billing Notice Time 11 Files in Error

<u>Policy Number</u>	<u>Date Offer Renewal Sent</u>	<u>Policy Renewal Date</u>	<u>Number of Days Prior to Renewal</u>
AQY 5615342	12/21/04	2/20/05	61
AQG 6341471	2/8/05	4/5/05	56
AQY 5836730	2/28/05	4/28/05	59
AQY 4835352	11/1/04	1/2/05	62
AQY 5299866	2/23/05	4/22/05	58

AQY 6941729	2/14/05	4/11/05	56
AQY 4610210	2/1/05	3/29/05	56
AQY 6412621	2/14/05	4/12/05	57
AQY 5925526	2/21/05	4/7/05	56
AQY 5824016	2/3/05	4/1/05	57
AQY 7345227	6/15/05	8/11/05	57

4. Deficient Coverage Selection Form – 1 File in Error

<b><u>Policy Number</u></b>
AQY 8027155

5. Failure to Follow Filed and Approved Underwriting Guidelines 1 File in Error

<b><u>Policy Number</u></b>
AQY 6437759

# APPENDIX C - TERMINATIONS

1. Failure to Provide not more than 90 days notice prior to expiration of the current policy – Four Files in Error

	<u>Prefix</u>	<u>Policy Number</u>	<u>Notice Date</u>	<u>Non-Renew Date</u>	<u>Days Notice &gt; 90</u>
1	ANY	4043908	09/15/2004	12/29/2004	15
2	ANY	6269314	08/13/2004	11/17/2004	6
3	ANY	6280504	09/28/2004	12/28/2004	1
4	ANY	7042735	06/30/2004	10/02/2004	4

2. Failure to note sources for ineligibility on non-renewal notices – five files in error

	<u>Prefix</u>	<u>Policy Number</u>	<u>Type of non-renewal</u>	<u>Date of Termination</u>
1	ANY	5346971	2%	04/06/2005
2	ANY	5732127	2%	01/15/2005
3	AQY	5976253	2%	07/14/2005
4	ANY	6026012	2%	10/27/2004
5	ANY	6245594	2%	10/30/2004

3. Failure To Provide The Designated Provision Under Which Action Is Being Taken

	<u>Prefix</u>	<u>Policy Number</u>	<u>Regulation Erroneously listed</u>	<u>Regulation Required</u>
1	ANG	6377162	N.J.A.C. 11:3-8(a)2	N.J.A.C. 11:3-8.5(a)2
2	ANG	5523897	N.J.A.C. 11:3-8(A)2	N.J.A.C. 11:3-8.5(a)2
3	ANG	6596681	11:3-8.4(a)	N.J.A.C. 11:3-8.4(a)
4	ANG	6694920	N.J.A.C. 11:3-8.5(a)(2)	N.J.A.C. 11:3-8.5(a)2



4. Failure to provide minimum 65 days notice of termination pursuant to New Jersey Department of Banking and Insurance Consent Order #C04-104 – eight Files in Error

	<u>Prefix</u>	<u>Policy Number</u>	<u>Notice Date</u>	<u>Non-Renew Date</u>	<u>Days Notice</u>
1	AQY	5615342	12/21/2004	02/20/2005	61
2	AQY	6341471	02/08/2005	04/05/2005	56
3	AQY	5836730	02/28/2005	04/28/2005	59
4	AQY	4835352	11/01/2004	01/02/2005	63
5	AQY	2599866	02/23/2005	04/22/2005	58
6	AQY	6941729	02/14/2005	04/11/2005	56
7	AQY	4610210	02/01/2005	03/29/2005	56
8	AQY	6412621	02/14/2005	04/12/2005	57

# APPENDIX D CLAIMS

## 1. Failure to Pay PIP Claims Timely – 15 Files in Error (Improper General Business Practice)

<b>Hanover</b>			
<b><u>Claim Number</u></b>	<b><u>Date of Receipt</u></b>	<b><u>Date Paid</u></b>	<b><u>Days Beyond 60</u></b>
56-063431	3/22/05	6/20/05	30
56-060827	1/17/05	4/4/05	17
56-065028	1/31/05	4/7/05	6
03-347785	8/27/04	10/29/04	36
56-064612	3/31/05	6/20/05	21
03-193918	7/5/05	11/10/05	68
10-337245	3/10/05	11/17/05	192
03-407881	8/22/05	11/23/05	33
03-436496	8/1/05	10/14/05	14
03-340046	2/17/05	6/20/05	63
Average Delay		48 days	
<b>Hanover New Jersey</b>			
03-421801	2/10/05	4/18/05	7
03-413878	12/20/04	3/9/05	19
03-433543	7/22/05	10/20/05	30
03-416009	3/2/05	8/18/05	109
03-401625	11/17/04	5/2/05	106
Average Delay		54 days	

2. Failure to Pay Interest on Delayed PIP Payments – 14 Files in Error (Improper General Business Practice)

<b>Hanover</b>				
<u>Claim Number</u>	<u>Amount of Bill</u>	<u>Date of Receipt</u>	<u>Date Paid</u>	<u>Days Beyond 60</u>
56-063431	\$70.00	3/22/05	6/20/05	30
56-060827	\$126.00	1/17/05	4/4/05	17
56-065028	\$105.00	1/31/05	4/7/05	6
03-347785	\$156.00	8/27/04	10/29/04	36
56-064612	\$528.43	3/31/05	6/20/05	21
03-193918	\$2,511.24	7/5/05	11/10/05	68
10-337245	\$72.45	3/10/05	11/17/05	192
03-407881	\$535.00	8/22/05	11/23/05	33
03-436496	\$163.00	8/1/05	10/14/05	14
03-340046	\$48.00	2/17/05	6/20/05	63
<b>Hanover New Jersey</b>				
03-421801	\$269.00	2/10/05	4/18/05	67
03-433543	\$748.00	7/22/05	10/20/05	30
03-416009	\$174.00	3/2/05	8/18/05	109
03-401625	\$632.28	11/17/04	5/2/05	106

3. Failure to Send Denial Letters – 4 Files in Error

<b>Hanover</b>	<b>Hanover New Jersey</b>
<u>Claim Number</u>	<u>Claim Number</u>
03-361451	03-457651
03-382917	03-453481

4. Failure to Retain Pertinent Information in Claim Files – 4 errors

<b>Hanover</b>	<b>Hanover New Jersey</b>
<b><u>Claim Number</u></b>	<b><u>Claim Number</u></b>
29-132212	03-441857
	03-401625
	03-460482*

\* - Claim was reviewed as part of the denied PIP claim sample

5. Failure to Provide PIP Application within 10 Working Days – 3 Files in Error

<b>Hanover</b>	<b>Hanover New Jersey</b>
<b><u>Claim Number</u></b>	<b><u>Claim Number</u></b>
56-053436	03-241300*
03-287776	

\* - Claim was reviewed as part of the denied PIP claim sample

6. Failure to Deny PIP Claims Timely – 1 File in Error

<b><u>Claim Number</u></b>	<b>Hanover New Jersey</b>		<b><u>Days Beyond 60</u></b>
	<b><u>Date Bill Received By Company</u></b>	<b><u>Date Denied by Company</u></b>	
03-460482	5/13/05	12/8/05	149

7. Health Benefits Elected Primary in Place of PIP Coverage

<b>Hanover</b>
<b><u>Claim Number</u></b>
56-058578

8. Failure to Maintain Total Loss Settlement Paperwork in the Claim File 2 Files in Error

<b><u>Hanover Insurance Company</u></b>	
<b><u>Claim Number</u></b>	<b><u>Claim Number</u></b>
56-066690	03-390192

9. Failure to Properly Calculate ACV on a Physical Damage Claim – 1 File in Error

<b><u>Hanover Insurance Company</u></b>
<b><u>Claim Number</u></b>
03-424527

# VERIFICATION

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1. I, Monica Koch, am examiner-in-charge of the Market Conduct Examination of the Hanover Insurance Company and Hanover New Jersey Insurance Company conducted by the examiners of the New Jersey Department of Banking and Insurance. This verification is based on my personal knowledge as required in my official capacity.
2. The findings, conclusions, and recommendations contained in the foregoing report represent, to the best of my knowledge, a full and true statement of the Market Conduct Examination of the Hanover Insurance Company and Hanover New Jersey Insurance Company as of July 2006.
3. I certify that the foregoing statements are true. I am aware that if any of the foregoing statements made by me is willfully false, I am subject to punishment.

-----  
Date

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Monica Koch  
Examiner-in-Charge  
New Jersey Department  
Banking and Insurance