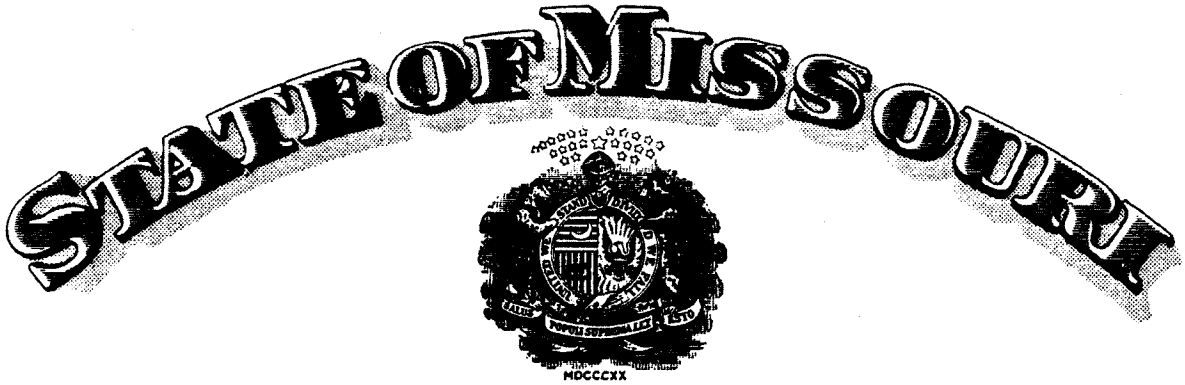

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

In re:	)	
	)	Examination No. 0710-14-TGT
Homesite Indemnity Company (NAIC #20419)	)	

CURATIVE ORDER OF THE DIRECTOR

NOW, on this 12th day of March, 2009, Director John M. Huff, after consideration and review of the market conduct examination report of Homesite Indemnity Company (NAIC #20419), report number 0710-14-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, does hereby adopt such report as filed. After consideration and review of such report, relevant workpapers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4), RSMo.

This order, issued pursuant to §374.205.3, RSMo and §374.046.15. RSMo (Cum. Supp. 2006), is in the public interest.

IT IS THEREFORE ORDERED that the Company shall CURE the violations of law, regulations or prior orders revealed in such report and shall take remedial action to bring the Company into compliance with the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times, including, but not limited to, taking any needed steps to assure that it files accurate territory codes for rating its policies with the Department and properly applies them in its calculation of premiums charged to its customers, as required by §379.321, RSMo. The

Company shall file documentation of all remedial actions taken by it to implement compliance with the terms of this Order, including explaining the steps taken and the results of such actions, with the Director within 60 days of the entry of a final Order closing this examination

So Adopted, Found, Concluded and Ordered.

3.12.09
Date

John M. Huff
Director

Homesite
HOME INSURANCE

Direct Line: 617-832-1362
Email: slittle@homesite.com

October 20, 2008

RECEIVED
OCT 24 2008
DEPT OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

Carolyn H. Kerr
Senior Counsel
Market Conduct Section
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, MO 65102-0690

RE: Missouri Market Conduct Examination # 0710-14-TGT
Homesite Indemnity Company (NAIC #20419)

Dear Ms. Kerr:

Homesite Indemnity Company (hereinafter "Homesite") is in receipt of your Report, dated September 19, 2008. Thank you for the opportunity to address the findings of the examiners.

With respect to the finding under Section B, Underwriting and Rating, Homesite respectfully disagrees with the finding that the Company applied unfiled rating territories in 104 files. The company further disagrees that it refused the Examiner's request to re-calculate the policy premiums and to make premium refunds in instances of premium overcharges.

Homesite's initial response to the examiners on this matter, dated August 21, 2008, requested the examiners re-consider whether the territories applied were, in actuality, unfiled. The Filing Memorandum provided to the Department as part of SERFF Tracking number USPH-5W2MSN907, supported Homesite's territory definitions by mapping each territory to corresponding competitors' territories. The Filing Memorandum mapped a total of 51 territory definitions to Allstate's and State Farm's territories. Furthermore, the base rates pages submitted as part of the filing, provided for 51 total territories. Unfortunately, due to a clerical error, the territory definition pages submitted with the filing conflicted with the information provided in the Filing Memorandum and the base rate pages of the filing.

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Homesite
HOME INSURANCE

Homesite believes that, based on all the filing information, the Department approved the use of 51 territories that mapped to corresponding competitors' territories. These are precisely the territories that have been applied to all policyholders.

The Company's initial response to this matter urged the examiners to view the territory definitions submitted, which only included a total of 48 territories, as a clerical error in the filing, and to find that the supporting information provided to the Department, in actuality, provided the basis for the approval of the applied territories.

Furthermore, the Company in no way refused to re-rate the policies and, in fact, was prepared to provide the examiners with the rating information requested if the Company's position, as articulated in its original response, was rejected. Homesite is enclosing with this response the re-rated information requested.

The attached rating information reflects that, of the 104 files, 44 files were rated properly based on both the territory definitions and the implemented territories. Therefore, the Department should consider that only 60 of the files were impacted by the conflict between the territory definitions and territories implemented. Of those 60 files, only 9 policies, if rated using the incorrect territory definitions, would receive a refund of premium for the most recent term.

Based on this additional information, the Company therefore, respectfully requests that the Department reconsider the finding that it applied unfiled territory definitions. Furthermore, as the rating information is provided herein, the Company respectfully requests that the Department remove the finding that the Company refused to re-rate and refund premiums in instances of premium overcharges.

Regarding the remaining findings in the examination report, Homesite does not have any additional information or comments at this time.

Thank you for your attention to this matter.

Sincerely,

Sherry J. Little
Vice President and General Counsel
Homesite Indemnity Company

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COPY

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

MARKET CONDUCT EXAMINATION REPORT

of

HOMESITE INDEMNITY COMPANY

NAIC # 20419

99 BEDFORD STREET
BOSTON, MA 02111

AUGUST 27, 2008

EXAMINATION NUMBER: 0710-14-TGT

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FOREWORD

This market conduct examination report of the Homesite Indemnity Company of Boston, Massachusetts is, overall, a report by exception. Examiners, in writing this report, cite errors made by the company. However, failure to comment on specific files, products, or procedures does not constitute approval by the Missouri Department of Insurance, Financial Institutions & Professional Registration.

Examiners use the following in this report:

"The Company" refers to the Homesite Indemnity Company;

"DIFP" and "Department" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;

"NAIC" refers to the National Association of Insurance Commissioners;

"RSMo" refers to the Revised Statutes of Missouri; and

"CSR" refers to the Code of State Regulation.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo. In addition, §447.572, RSMo, grants authority to the DIFP to determine compliance with the Uniform Disposition of Unclaimed Property Act §§447.500 to 447.595, RSMo.

The purpose of this examination is to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether company operations are consistent with the public interest. The primary period covered by this review is January 1, 2007, through December 31, 2007; however, examiners include all discovered errors in this report.

Although examiners report the errors discovered in individual files, this report focuses on general business practices of the Company. The DIFP has adopted the NAIC published error tolerance rate guidelines. Unless otherwise noted, examiners apply a 10 percent (10%) error tolerance criterion to underwriting and rating practices and a seven percent (7%) tolerance criterion to claims handling practices. Error rates greater than the tolerance suggest a general business practice.

This examination is primarily directed to the following company operations:

Underwriting and Rating;

Claims; and

Consumer Complaints.

Examiners conducted this examination at the Department's offices located in St. Louis, MO.

EXECUTIVE SUMMARY

The Company utilized unfiled rating territories resulting in incorrect premiums.

In some instances, the Company failed to furnish the Examiners with notices of policy cancellation and proof of mailing certificates.

In one instance, the Company failed to mail a cancellation notice to the insured within 30 days of policy cancellation.

EXAMINATION FINDINGS

I. UNDERWRITING AND RATING PRACTICES

In this section of the report, the examiners report their findings of the Company's underwriting and rating practices. These practices include, but are not limited to, the use of policy forms, adherence to underwriting guidelines, premiums charged, and procedures to cancel, nonrenew, or reject coverages. Because of the time and cost involved in reviewing each policy file, the examiners use scientific sampling. For this review, a sampling unit represents a policy file with one complete premium amount involving the charges provided or restricted by endorsements, issued, or re-rated during the examination. The most appropriate statistic to measure the Company's compliance is the percent of files in error. Errors can include, but are not limited to, any miscalculation of the premium based on file information, improper acceptance or denial of an application, and failure to observe Missouri statutes or DIFP regulations.

A. Forms and Filings

The examiners review the Company's policy forms to determine compliance with filing, approval, and content requirements. This helps to assure contract language is not ambiguous and is adequate to protect those insured.

The Company failed to file applied territory codes for rating of policies issued during the time frame. Reference: §379.321, RSMo.

B. Underwriting and Rating

1. Homeowners

Field Size:	6,398
Sample Size:	104
Type of Sample:	Random
Number of Errors:	60
Error Ratio:	58%

Within Department guidelines: No.

In 60 files reviewed, the Company filed rating information that was ambiguous, contradictory, or conflicting, in that individual risks had more than one possible rate, thus making it impossible for the company to use both of the rates filed for a given risk.

Reference: §§379.321 and 379.361, RSMo.

Policy Number	Policy Number	Policy Number
xxxx4610	xxxx3072	xxxx2425
xxxx5877	xxxx7434	xxxx9260
xxxx4454	xxxx5711	xxxx2338
xxxx7198	xxxx6591	xxxx5549
xxxx9159	xxxx1364	xxxx2631

Policy Number	Policy Number	Policy Number
xxxx2531	xxxx9569	xxxx8841
xxxx4513	xxxx2682	xxxx3588
xxxx0439	xxxx3430	xxxx2817
xxxx8832	xxxx9078	xxxx7985
xxxx1508	xxxx2971	xxxx0508
xxxx9619	xxxx4960	xxxx6412
xxxx0438	xxxx3650	xxxx0085
xxxx1382	xxxx0538	xxxx5542
xxxx8459	xxxx8314	xxxx9451
xxxx3468	xxxx5570	xxxx2013
xxxx3961	xxxx8232	xxxx4878
xxxx5090	xxxx7279	xxxx1410
xxxx1528	xxxx6438	xxxx0769
xxxx1380	xxxx3310	xxxx8428
xxxx0666	xxxx9479	xxxx5328

C. Cancellations, Non-Renewals and Declinations

The examiners reviewed policies that the company terminated before the scheduled expiration date and applications that the company rejected because of failure to meet underwriting guidelines.

Policies were selected from all policies canceled, non-renewed, or rejected during the time frame of the examination for private passenger automobile.

2. Homeowners

Field Size:	83
Sample Size:	83
Type of Sample:	Census
Errors:	4
Error Ratio:	4.82%

Within Department guidelines: Yes

The examiners discovered the following errors in this review.

In three instances, the Company failed to furnish the examiners notices of policy cancellation and proof of mailing certificates.

Reference: 20 CSR 300-2.200 (2) & (3) and §374.003, RSMo.

Policy Number
xxxx2603
xxxx2225
xxxx3802

In one instance, the Company failed to mail a cancellation notice to the insured within 30 days of policy cancellation.

Reference: §374.003, RSMo.

Policy Number

xxxx9133

D. Legal Practices Not in the Best Interest of Consumers

The examiners also looked for products and practices that, although do not violate Missouri laws, are not in the best interest of consumers.

The examiners discovered no issues in the underwriting practices reviews.

III. CLAIMS PRACTICES

In this section, examiners review claim practices of the Company to determine the efficiency of claims handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and department regulations. Due to the large number of claim files, examiners are unable to review each claim. As such, examiners conduct scientific sampling of claim files. A claim file, as a sampling unit, is an individual demand for payment or action under an insurance contract for benefits that may or may not be payable. The most appropriate statistic to measure compliance with the law is the percent of files in error. An error can include, but is not limited to, any unreasonable delay in the acknowledgment, investigation, payment, or denial of a claim. Errors also include, but are not limited to, the failure to calculate benefits correctly or to comply with Missouri laws or regulations regarding claim settlement practices.

Claim files were also reviewed to determine compliance with the unfair settlement statute, other statutes and regulations, as well as general policy provisions. Missouri law requires that insurers and agents disclose to first-party claimants all pertinent benefits, coverages and other provisions of an insurance policy under which a claim is presented. The companies must give claim denials to the claimant in writing and retain a copy in the file.

The examiners reviewed the Company's Homeowners claims practices.

Unfair Settlement Practices, General Handling & Timeliness

1. Homeowners

Field Size:	667
Sample Size:	104
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0%

Within Department guidelines: Yes

The examiners discovered no errors in this review.

IV. CONSUMER COMPLAINTS

Section 375.936(3), RSMo, requires companies to maintain a register of all complaints it receives for at least three years. The statute requires the record to show the total number of complaints, classification by line of insurance, nature of complaint, disposition, and time to process the complaint.

The Company's records show that it received 33 complaints between January 1, 2005, and December 31, 2007. The Department received 33 of these complaints.

The Company maintains a log of all written complaints.

The examiners discovered no discrepancies.

SUBMISSION

Examiners respectfully submit this Market Conduct examination report of Homesite Indemnity Company to the Director of Insurance, Financial Institutions and Professional Registration, State of Missouri.

Gary Bird and John Pfaender participated in the examination and helped in the preparation of this report.

John F. Hemmersmeier
CPCU, ChFC, CIE
Examiner-In-Charge

SUPERVISON

The examination report and supporting work papers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Market Regulation Handbook has been confirmed. The examination process has been monitored and supervised by the undersigned.

Date: 9-17-8

Win Nickens, CIE, JD, CPCU
Audit Manager
Department of Insurance, Financial
Institutions, and Professional Registration

STATE OF MISSOURI
CITY OF ST. LOUIS

AFFIDAVIT

VERIFICATION OF WRITTEN REPORT OF EXAMINATION

Before me, the undersigned authority, personally appeared John F. Hemmersmeier, who, being by me duly sworn and deposed stated as follows:

1. My name is John F. Hemmersmeier, I am of sound mind, capable of making this affidavit, and personally acquainted with the facts herein stated.
2. I am the Examiner-In-Charge duly appointed by the Director of Insurance, Financial Institutions & Professional Registration, State of Missouri to examine the business affairs and market conduct of Homesite Indemnity Company, an entity granted authority to transact the business of insurance in the State of Missouri.
3. Attached and containing 17 pages is examination report # 0710–14-TGT of Homesite Indemnity Company dated August 27, 2008.
4. This examination report was produced in observation of those guidelines and procedures set forth in the Examiners' Handbook adopted by the National Association of Insurance Commissioners and other guidelines and procedures adopted by the Division of Insurance Market Regulation, State of Missouri.
5. This examination report is comprised of only facts appearing upon the books, records, or other documents of the Company, or as ascertained from the testimony of its officers, agents, or other persons examined concerning its affairs, and such conclusions as reasonably warranted from the facts.

John F. Hemmersmeier, CPCU, ChFC, CIE

In witness whereof I have hereunto subscribed my name and affixed my official seal this 9th day of September 2008.

Notary (Seal)

HALLIE JONES
MY COMMISSION EXPIRES November 11, 2008
NOTARY SEAL
#04402529
ST. LOUIS CITY
NOTARY PUBLIC, STATE OF MISSOURI