IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION
STATE OF MISSOURI

In Re: NORTHERN INSURANCE COMPANY OF NEW YORK (NAIC #19372)
TRUCK INSURANCE EXCHANGE (NAIC # 21709)

Market Conduct Exam No. 1301-07-TGT
Market Conduct Exam No. 1301-02-TGT

ORDER OF THE DIRECTOR

NOW, on this 14th day of May, 2019, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination reports of Northern Insurance Company of New York (NAIC #19372), examination report number 1301-07-TGT, and Truck Insurance Exchange (NAIC #21709) (hereinafter “Truck”), examination report number 1301-02-TGT, prepared and submitted by the Division of Insurance Market Regulation (hereinafter “Division”) pursuant to §374.205.3(3)(a)¹, does hereby adopt such reports as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (“Stipulation”), the examination reports, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such reports are deemed to be the Director’s findings and conclusions accompanying this order pursuant to §374.205.3(4). Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4), §374.280 RSMo, and §374.046.15. RSMo, is in the public interest.

IT IS THEREFORE ORDERED that Truck and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that Truck shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that Truck shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016 as amended.
Forfeiture of $6,650.00 payable to the Missouri State School Fund in connection with examination no. 1301-07-TGT.

IT IS FURTHER ORDERED that Truck shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $57,330.00 payable to the Missouri State School Fund in connection with examination no. 1301-02-TGT.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 4th day of May, 2019.

Chlora Lindley-Myers
Director
IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION
STATE OF MISSOURI

In Re:)
NORTHERN INSURANCE COMPANY OF NEW YORK (NAIC #19372)
TRUCK INSURANCE EXCHANGE (NAIC #21709)

Market Conduct Exam No. 1301-07-TGT
Market Conduct Exam No. 1301-02-TGT

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”), and Truck Insurance Exchange (NAIC #21709) (hereinafter “Truck”) as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter, “the Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

WHEREAS, Truck has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a Market Conduct Examination of Northern Insurance Company of New York (NAIC #19372) (hereinafter “Northern Insurance”) and prepared report number 1301-07-TGT;

WHEREAS, pursuant to a 100% Quota Share Reinsurance Agreement between Truck and Northern Insurance, Truck assumed responsibility for the management of the workers’ compensation business written by Northern Insurance in Missouri;

WHEREAS, on June 1, 2013, pursuant to its regulatory filings, Northern Insurance non-renewed its workers’ compensation policies in Missouri;

WHEREAS, effective December 31, 2015, Northern Insurance no longer exists and has ceased transacting the business of insurance in the State of Missouri;

WHEREAS, based on the Market Conduct Examination of Northern Insurance, and Truck’s management of the Northern Insurance policies, the Division alleges:

1. In ten instances, Northern Insurance policy file audits were not completed and
billed within 120 days of policy expiration in violation of §287.955.3, §287.310 and 20 CSR 500-6.500 (2) (A).

2. In four instances, Northern Insurance did not maintain file documentation necessary for the examiners to reconstruct how policy premium was determined in violation of §287932.2 and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040 (3) (A)).

3. In two instances, Northern Insurance failed to exclude tips from the payroll used in determining premium in violation of §287.955.1.

5. In ten instances, Northern Insurance failed to allocate a flat 10% of the officers/partners payroll limit to Code 8810 in violation of §287.955.1.

6. In three instances, Northern Insurance did not apply the Second Injury Fund Surcharge rate to correct premium in violation of §287.715.2.

7. In one instance, Northern Insurance failed to include the full amount of the payroll for classification code 7380 in violation of §287.955.1.

8. In one instance, Northern Insurance used an incorrect premium discount rate at final audit in violation of §287.955.3.

9. In one instance, Northern Insurance replaced a classification code with a higher rated code at audit in violation of §287.955.3.

WHEREAS, the Division conducted a Market Conduct Examination of Truck and prepared report number 1301-02-TGT;

WHEREAS, based on the Market Conduct Examination of Truck, the Division alleges:

1. In 209 instances, Truck used withdrawn or unfiled forms in violation of §287.310.1 and 20 CSR 500-6.100 (1).

2. In 433 instances, Truck utilized a Class Peculiarities Schedule Rating Plan that failed to reflect equitably the differences in expected losses and expenses in violation of §287.950.2.

3. In 82 instances, Truck failed to use the filed terrorism rate in violation of §287.955.1 and §287.947.

4. In one instance, Truck attached a waiver of subrogation form to a policy containing construction code classifications in violation of §287.150.6 and 20 CSR 500-6.500 (2) (A).

5. In two instances, Truck failed to apply officers’ payroll to the correct NCCI class codes in violation of §287.955.3.

1 All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended.
6. In 23 instances, Truck failed to verify at audit that information reported by insureds to the NCCI regarding a credit was accurate in violation of §287.955.3.

7. In seven instances, Truck failed to apply 10% of officer payroll to Class Code 8810 in violation of §287.955.5.

8. In one instance, Truck applied a MOCCPAP credit to premium without a Contracting Class Code in violation of §287.955.5.

9. In two instances, Truck failed to apply the correct class code at final audit in violation of §287.955.1.

10. Truck failed to file an estimated payroll premium factor which it utilized in violation of §287.947.1.

11. In two instances, Truck failed to apply the correct premium discount rate in violation of §287.955.3.

12. In one instance, Truck failed to apply the correct Minimum Premium to a policy in violation of §287.955.5.

13. In 1,895 instances, Truck failed to apply increased limits factors on audits for policies with limits greater than $100,000/$100,000/$500,000 in violation of §287.955.3.

14. In 976 instances, Truck failed to complete, bill and return premiums concerning final audit within 120 days of policy expiration or cancellation in violation of §287.310.10, §287.955.3 and 20 CSR 500-6.500 (2).

15. In 16 instances, Truck failed to provide a criticism response within ten calendar days in violation of §374.205.2 (2).

WHEREAS, the Division and Truck have agreed to resolve the issues raised in the Market Conduct Examinations through a voluntary settlement as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter “Stipulation”) embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** Truck agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those remedial actions at all times, to reasonably assure that the alleged errors noted in the above-referenced
market conduct examinations do not recur. Such remedial actions shall include, but not be limited to, the following:

1. Truck agrees that audits on workers compensation insurance policies with Missouri premium or exposure will be completed, billed and premiums returned within 120 days of policy expiration or cancellation unless a) a delay is caused by the policyholder’s failure to respond to reasonable audit requests provided that the requests are timely and adequately documented or b) a delay is caused by the mutual agreement of the policyholder and the Company, provided that the mutual agreement is adequately documented by the Company.

2. Truck agrees to maintain file documentation necessary for examiners to reconstruct how policy premium is determined.

3. Truck agrees that they will not use withdrawn or unfiled forms.

4. Truck agrees that they will file all rates and supplementary rate information used in Missouri with the Director.

5. Truck agrees not to issue a waiver of subrogation endorsement on policies with Missouri premium or exposure that include only construction class codes.

6. Truck agrees to ensure that their procedure for determining final premium complies with NCCI Rule 02-MO-2013.

7. Truck agrees to apply increased limits factors on audits for policies with limits greater than $100,000/$100,000/$500,000.

8. Truck agrees, that to the extent it has not already done so, it will remediate all instances of premium overcharges identified in exam report numbers 1301-07-TGT and 1301-02-TGT. A letter shall be included with the remediation indicating that as a result of a Missouri Market Conduct Examination, it was found that a refund was due the insured.

9. Truck agrees, that to the extent it has not already done so, it will reimburse the Second Injury Fund for any underpayments set out in exam report numbers 1301-07-TGT and 1301-02-TGT. Such payments shall be made to the fund with any applicable interest and penalties together with any amended filings required by the Division of Workers Compensation.

10. Truck agrees to review all workers compensation insurance policies with Missouri premium or exposure from January 1, 2016 to the date of the Order adopting this Stipulation to determine if Truck failed to allocate 10% of officers/partners payroll limits to Code 8810. If such allocation was not made, Truck agrees to remediate any premium overcharges. A letter shall be
included with the remediation indicating that as a result of a Missouri Market Conduct Examination, it was found that a refund was due the insured.

11. Truck agrees, if it has not already done so, to cease utilizing a Class Peculiarities Schedule Rating Plan that fails to reflect equitably the differences in expected losses and expenses.

12. Truck agrees to review all workers compensation insurance policies with Missouri premium or exposure from January 1, 2016 to the date of the Order adopting this Stipulation to determine if an unfiled terrorism rate was utilized. If an unfiled terrorism rate was utilized and resulted in a charge that exceeded the charge that would apply if the filed rate was utilized, Truck shall remediate the policyholder in an amount that represents the difference between the premium charged and the premium that would have been charged using the filed rate. A letter shall be included with the remediation indicating that as a result of a Missouri Market Conduct Examination, it was found that a refund was due the insured.

C. Compliance. Truck agrees to file documentation with the Division within 90 days of the entry of a final order of all remedial action taken to implement compliance with the terms of this Stipulation and to document the payment of any restitution required by this Stipulation. Such documentation is provided pursuant to §374.205.

D. Voluntary Forfeiture. Truck agrees, voluntarily and knowingly, in connection with Exam No. 1301-07-TGT, to surrender and forfeit the sum of $6,650, such sum payable to the Missouri State School Fund in accordance with §374.049.11 and §374.280.2. Truck agrees, voluntarily and knowingly, in connection with Exam No. 1301-02-TGT, to surrender and forfeit the sum of $57,330, such sum payable to the Missouri State School Fund in accordance with §374.049.11 and §374.280.2.

E. Other Penalties. The Division agrees that it will not seek penalties against Truck other than those agreed to in this Stipulation, in connection with the conduct found in Market Conduct Examination Numbers 1301-07-TGT and 1301-02-TGT.

F. Examination Fees. Truck agrees to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by Truck pursuant to Paragraph C of this Stipulation.

G. Non-Admission. Nothing in this Stipulation shall be construed as an admission by Truck, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above referenced market conduct examinations.
H. **Waivers.** Truck after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above referenced Market Conduct Examinations.

I. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by representatives of the Division and Truck.

J. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

K. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation on behalf of the Division and Truck respectively.

L. **Effect of Stipulation.** This Stipulation shall not become effective until entry of a Final Order by the Director of the Department (hereinafter the “Director”) approving this Stipulation.

M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 5/1/2019

Angela L. Nelson
Director, Division of Insurance
Market Regulation

DATED: 5/1/19

Stewart Freilich
Chief Market Conduct Examiner and Senior Counsel

DATED: April 22, 2019

Steven H. Weinstein
General Counsel, Farmers Group, Inc.
Truck Insurance Exchange
STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND
PROFESSIONAL REGISTRATION

FINAL MARKET CONDUCT EXAMINATION REPORT
of the Property and Casualty Business of

Northern Insurance Company of New York
NAIC Group #0069
NAIC #19372

MISSOURI EXAMINATION # 1301-07-TGT

NAIC EXAM TRACKING SYSTEM # MO341-M103

May 1, 2019

Northern Insurance Company of New York
1400 American Lane
Schaumburg, Illinois 60195-1056
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FOREWORD

This is a targeted market conduct examination report of Northern Insurance Company of New York (NAIC Code #19372). This examination was conducted at the Missouri Department of Insurance, Financial Institutions, and Professional Registration’s Kansas City office at 615 East 13th Street, Room 506, Kansas City, Missouri 64106.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- “Company” refers to Northern Insurance Company of New York;
- “CSR” refers to the Missouri Code of State Regulation;
- “DIFP” refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- “Director” refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- “NICNY” refers to Northern Insurance Company of New York;
- “NAIC” refers to the National Association of Insurance Commissioners;
- “RSMo” refers to the Revised Statutes of Missouri;
- “MOCCPAP” refers to Missouri Contracting Classification Premium Adjustment Program;
- “NCCI” refers to the National Council on Compensation Insurance;
- “SIF” refers to Second Injury Fund.
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.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2006 through the present unless otherwise noted. Errors outside of this time period discovered during the course of the examination may also be included in the report.

The examination included a review of the following areas of the Company's operations for the lines of business reviewed:

- Workers' Compensation Underwriting, Rating, Policyholder Services and Complaints.

The examination was conducted in accordance with the standards in the NAIC's Market Regulation Handbook. As such, the examiners utilized the benchmark error rate guidelines from the Market Regulation Handbook when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). Note: Most Workers' Compensation laws do not apply a general business practice standard. No error rates were contemplated in these reviews unless the violation(s) were applicable to Missouri's Unfair Trade Practices Act.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

Policies with multiple violations were also accounted for in other sections of the report. For amounts less than $5 the amounts are not listed in the report unless it is a violation of the SIF or Administrative Surcharge. Violations with an asterisk (*) indicate that the amount of the premium overcharge or undercharge is listed elsewhere in the report to avoid duplication.
COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

Northern Insurance Company of New York

Northern Insurance Company of New York was incorporated under the laws of the state of New York in October, 1897. On December 6, 1926, the Company merged with Eastern Insurance Company, with Northern Insurance Company of New York being the surviving entity.

In 1963, 99% of the Company was acquired by Maryland Casualty Company, a property and casualty insurer domiciled in Maryland. The remaining 1% was acquired by Maryland Casualty Company in 1968.

On May 25, 1989, Maryland Casualty Company and its subsidiaries were purchased by the Zurich Holding Company of America, Inc. ("ZHCA") (84%) and Zurich Insurance Company, United States Branch ("the Branch") (16%). On June 3, 1998, ZAIC was formed as the vehicle for the domestication of the Branch and on December 31, 1998, all of the assets and liabilities of the Branch were transferred to ZAIC, and the Branch ceased to exist. In 1999, the remaining 84% ownership of Maryland Casualty Company was transferred from ZHCA to ZAIC. Effective December 31, 2015 Northern Insurance Company of New York merged with Maryland Casualty Company, with Maryland Casualty Company being the surviving entity. Also, effective December 31, 2015 Maryland Casualty Company merged with Zurich American Insurance Company, with Zurich American Insurance Company being the surviving entity.

Effective December 31, 2015, Northern Insurance Company of New York no longer exists and has ceased transacting the business of insurance in the State of Missouri.
EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of Northern Insurance Company of New York (NICNY). The examiners found the following principal areas of concern:

Small Deductible Policies
- The examiners found one instance where the Company did not complete and bill the audit within one hundred twenty (120) days of the policy expiration.

Guaranteed Cost Policies
- The examiners found nine instances where the Company did not complete and bill the audit within one hundred twenty (120) days of the policy expiration.
- The examiners found four instances where the Company did not maintain file documentation necessary for the examiners to reconstruct how the policy premium was determined.
- The examiners found two instances where the Company did not exclude tips from the final Total Remuneration, resulting in premium overcharges.
- The examiners found 10 instances where the Company did not allocate 10% of the Officers/Partners payroll limit to code 8810-Clerical Office Employees NOC, resulting in premium overcharges.
- The examiners found three instances where the Company did not apply the Second Injury Fund rate to the correct premium, resulting in premium undercharges to the insureds and underpayments to the Second Injury Fund.
- The examiners found one instance where the Company did not include the full amount of payroll for classification code 7380, resulting in a premium undercharge.
- The examiners found one instance where the Company did not apply the correct Premium Discount Rate to the premium, resulting in a premium undercharge.
- The examiners found one instance where the Company replaced a classification code at audit with a higher rated code, without a corresponding change in the operations of the business.

Various non-compliant practices were identified, 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 the Missouri insurance laws and regulations. When applicable, corrective action for the jurisdictions should be addressed.

The examiners tracked and were mindful of the results, Company responses and public disciplinary action(s) of prior examinations concerning Northern Insurance Company of New York. The DIFP examination tracking system indicated no Missouri market conduct examinations had been performed for this company.
EXAMINATION FINDINGS

I. UNDERWRITING AND RATING PRACTICES

This section of the report is designed to provide a review of the Company's underwriting and rating practices. These practices included the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage. Examiners reviewed how the Company handled new and renewal policies to ensure that the Company underwrote and rated risks according to its own underwriting guidelines, filed rates, and Missouri statutes and regulations.

From a total population of seven small deductible individual risk policies, the examiners selected a census sample of seven policy files. From a total population of 2,568 guaranteed cost policies, the examiners selected a random sample of 155 policies. The Company had no large deductible policies to review. The examiners found no evidence to the contrary. A policy/underwriting file is reviewed in accordance with 20 CSR 100-8.040 and the NAIC Market Regulation Handbook. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.930 – 375.948 and 375.445 RSMo.) and compared with the NAIC benchmark error rate of ten percent (10%). Error rates in excess of the NAIC benchmark error rate are presumed to indicate a general business practice contrary to the law. As most Workers' Compensation laws do not apply a general business practice standard, no error rates were contemplated in these reviews unless the violation(s) discovered fell within the scope of Missouri's Unfair Trade Practices Act.

The examiners requested the Company's underwriting and rating manuals for the line of business under review. This included all rates, guidelines, and rules that were in effect on the first day of the examination period and at any point during that period to ensure that the examiners could properly rate each policy reviewed.

The examiners also reviewed the Company's procedures, rules, and forms filed by or on behalf of the Company with the DIFP. The examiners reviewed all Missouri files from a listing furnished by the Company.

The examiners also requested a written description of significant underwriting and rating changes that occurred during the examination period for underwriting files that were maintained in an electronic format.

An error can include, but is not limited to, any miscalculation of the premium based on the information in the file, an improper acceptance or rejection of an application, the misapplication of the company's underwriting guidelines, incomplete file information preventing the examiners from readily ascertaining the company's rating and underwriting practices, and any other activity indicating a failure to comply with Missouri statutes and regulations.
A. Forms and Filings

The examiners reviewed the Company's policy and contract forms to determine its compliance with filing, approval, and content requirements to ensure that the contract language was not ambiguous or misleading and was adequate to protect those insured.

The examiners discovered no issues or concerns.

B. Workers’ Compensation Policies Reviews

The examiners reviewed applications for coverage that were issued or modified by the Company to determine the accuracy of rating and adherence to prescribed and acceptable underwriting criteria.

1. Small Deductible Policies

The examiners reviewed a census of seven small deductible policy files.

The following are the results of the reviews:

<table>
<thead>
<tr>
<th>No.</th>
<th>Policy#</th>
<th>Exp. Date</th>
<th>Invoiced</th>
<th>Refund</th>
<th>Est Int @ Time of Crit</th>
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<td>10/8/2013</td>
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<td>$0.00</td>
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</table>

Reference: §§287.955.3 & 287.310 RSMo, 20 CSR 500-6.500(2)(A) and Missouri Amendatory Endorsement WC 06 04 A Section G., Audit.

2. Guaranteed Cost Policies

The examiners reviewed a random sample of 50 policy files from a total population of 1,952 guaranteed cost policy files.

The following are the results of the reviews:

1. The examiners found two instances where the policy file audit was not completed and billed within one hundred twenty (120) days of the policy expiration.
2. The examiners found three instances where the Company did not maintain file documentation necessary for the examiners to reconstruct how the policy premium was determined.

3. The examiners discovered in two instances where the Company failed to exclude tips or other gratuities from the payroll used in determining premiums. The Company included tips in the final Total Annual Remuneration. The NCCI Basic Manual rules state that tips or other gratuities are to be excluded. This resulted in the following two policy premium overcharges.

4. The examiners found in 10 instances where the Company failed to allocate a flat 10% of the officers/partners payroll limit to Code 8810-Clerical Office Employees NOC, resulting in the following 10 policy premium overcharges.
<table>
<thead>
<tr>
<th>No.</th>
<th>Policy#</th>
<th>Eff. Date</th>
<th>Premium O/C</th>
<th>Interest</th>
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</tr>
</tbody>
</table>


5. The examiners found three instances where the Company did not apply the Second Injury Fund Surcharge rate to the correct premium amount, resulting in an undercharge to the insured and underpayment to the Second Injury Fund.

<table>
<thead>
<tr>
<th>No.</th>
<th>Policy#</th>
<th>Eff. Date</th>
<th>Premium U/C</th>
</tr>
</thead>
<tbody>
<tr>
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<td>3502</td>
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</table>

Reference: §287.715.2 RSMo

6. The company failed to include the full amount of the payroll for classification code 7380, resulting in a premium undercharge.

<table>
<thead>
<tr>
<th>Policy#</th>
<th>Eff. Date</th>
<th>Premium U/C</th>
</tr>
</thead>
<tbody>
<tr>
<td>3501</td>
<td>3/20/2011</td>
<td>$451.00</td>
</tr>
</tbody>
</table>


7. The Company used an incorrect premium discount rate on the final audit, resulting in the following premium undercharge.

3. **Targeted Issues Review**

   a. **Guaranteed Cost Late Audit Policies**

   As a result of market analysis and trending, the examiners requested a random sample of 25 policy files from a total population of 317 policies that were identified as having audits that exceeded 120 days past the policy expiration date.

   The following are the results of the reviews:

   1. The examiners found seven instances where the policy audit was not completed and billed within one hundred twenty (120) days of the policy expiration. One policy required additional premium to be returned and the other six were invoiced.

<table>
<thead>
<tr>
<th>No.</th>
<th>Policy#</th>
<th>Eff. Date</th>
<th>Premium U/C</th>
<th>Premium O/C</th>
<th>Est Int @ Time of Audit</th>
<th>Total</th>
<th>Paid/Not Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8501</td>
<td>3/1/2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>9001</td>
<td>8/28/2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>3901</td>
<td>6/8/2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>902</td>
<td>1/1/2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>9804</td>
<td>2/14/2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reference: §§287.955.3, 287.310 RSMo, 20 CSR 500-6.500(2)(A) and Missouri Amendatory Endorsement WC 06 04 A Section G., Audit.

   b. **Guaranteed Cost Class Code Changed at Audit Policies**

   As a result of market analysis and trending, the examiners requested a census sample of 30 policy files that were identified as having classification codes that were changed at the final audit.

   The following are the results of the reviews:
1. The examiners found one instance where the Company replaced a classification code with a higher rated code at audit. This occurred without a corresponding change in the operations of the business and without misrepresentation by the insured. In addition, the insured was not involved in construction, employee leasing, labor contracting, or temporary labor services.

<table>
<thead>
<tr>
<th>Policy#</th>
<th>Eff. Date</th>
<th>Premium U/C</th>
<th>Premium O/C</th>
<th>Interest</th>
<th>Total</th>
<th>Paid/N</th>
<th>Not Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>4500</td>
<td>3/30/2008</td>
<td>$136.00</td>
<td>$57.62</td>
<td>$193.62</td>
<td></td>
<td>Not</td>
<td>Paid</td>
</tr>
</tbody>
</table>


c. Guaranteed Cost Pro-rata Cancellation Policies

As a result of market analysis and trending, the examiners requested a random sample of 25 policy files from a total population of 66 files that were cancelled with a need for pro-rata reimbursement to the insured.

The following are the results of the reviews:

1. The examiners found one instance where the Company did not maintain file documentation necessary for the examiners to reconstruct how the policy premium was determined. The file information provided did not contain the policy application.

<table>
<thead>
<tr>
<th>Policy#</th>
<th>Eff. Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>8700</td>
<td>8/1/2007</td>
</tr>
</tbody>
</table>

Reference: §§287.937.2, 374.205.2(2) RSMo and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040(3)(A) eff. 1/30/2009).

d. Guaranteed Cost Short Rated Cancellation Policies

As a result of market analysis and trending, the examiners requested a random sample of 25 policy files from a total population of 89 files that were cancelled with a need for a short rated reimbursement to the insured.

The examiners discovered no issues or concerns.

**II. COMPLAINT HANDLING PRACTICES**

This section of the report is designed to provide a review of the Company's complaint handling practices. Examiners reviewed how the Company handled complaints to ensure it was performing according to its own guidelines and Missouri statutes and regulations.
Section 375.936(3), RSMo, requires companies to maintain a registry of all written complaints received for the last three years. The registry must include all Missouri complaints, including those sent to the DIFP and those sent directly to the company.

The examiners verified the Company’s complaint registry, dated January 1, 2006, through the present.

A. **Complaints Sent Directly to the DIFP**

The review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by §375.936(3), RSMo, and 20 CSR 300-2.100(3)(D) (as replaced by 20 CSR 100-8.040(3)(D), eff. 1/30/09). The Company explained that it received no complaints from the Missouri DIFP. The examiners found no evidence to the contrary.

The examiners discovered no issues or concerns.

B. **Complaints Sent Directly to the Company**

This review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint. The Company explained that it did not receive any complaints from its insureds, claimants, or others. The examiners found no evidence to the contrary.

The examiners discovered no issues or concerns.

**III. CRITICISMS AND FORMAL REQUESTS TIME STUDY**

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri law requires companies to respond to criticisms and formal requests within 10 calendar days. Please note that in the event an extension was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the time frame granted by the examiners. If the response was not received within that time period, the response was not considered timely.

A. **Criticism Time Study**

<table>
<thead>
<tr>
<th>Calendar Days</th>
<th>Number of Criticisms</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received within the time limit including any extensions:</td>
<td>16</td>
<td>100.0%</td>
</tr>
<tr>
<td>Received outside the time limit including any extensions:</td>
<td>0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
### Calendar Days

<table>
<thead>
<tr>
<th>No response:</th>
<th>Number of Criticisms</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total:</td>
<td>16</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The examiners discovered no issues or concerns.

### B. Formal Request Time Study

<table>
<thead>
<tr>
<th>Calendar Days</th>
<th>Number of Formal Requests</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received within the time limit including any extensions:</td>
<td>4</td>
<td>100.0%</td>
</tr>
<tr>
<td>Received outside the time limit including any extensions:</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>No response:</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total:</td>
<td>4</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The examiners discovered no issues or concerns.
EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation’s Final Report of the examination of Northern Insurance Company of New York (NAIC #19372), Examination Number 1301-07-TGT. This examination was conducted by Scott B. Pendleton, Dale Hobart, Dennis Foley, and Don Wilson. The findings in the Final Report were extracted from the Market Conduct Examiner’s Draft Report, dated September 26, 2018. Any changes from the text of the Market Conduct Examiner’s Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner’s approval. This Final Report has been reviewed and approved by the undersigned.

5/1/2019

Stewart Freilich
Chief Market Conduct Examiner