

**DELAWARE DEPARTMENT OF INSURANCE**  
**MARKET CONDUCT EXAMINATION REPORT**

**LM General Insurance Company**  
**NAIC #36447**

**175 Berkeley Street**  
**Boston, MA 02116**

**As of**

**March 31, 2021**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF THE  
**LM General Insurance Company**  
AS OF  
March 31, 2021

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand  
and affixed the official seal of this Department at the  
City of Dover, this 11 day of October, 2022.

  
Trinidad Navarro  
Insurance Commissioner

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of March 31, 2021 on

**LM General Insurance Company**

is a true and correct copy of the document filed with this Department.

Attest By:

A handwritten signature in blue ink, appearing to read "Trinidad Navarro", written over a horizontal line.



In Witness Whereof, I have hereunto set my hand  
and affixed the official seal of this Department at the  
City of Dover, this 11 day of October, 2022.

A handwritten signature in blue ink, appearing to read "Trinidad Navarro", written over a horizontal line.

Trinidad Navarro  
Insurance Commissioner

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Honorable Trinidad Navarro  
Insurance Commissioner  
State of Delaware  
1351 West North St., Suite 101  
Dover, DE 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Number 36447-21-519, and pursuant to statutory provisions including 18 *Del. C.* §318-322, a market conduct examination has been conducted of the affairs and practices of:

**LM General Insurance Company**  
**NAIC #36447**

The examination was performed as of March 31, 2021.

The examination consisted of an off-site phase which was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department or DDOI, or other suitable locations.

The report of examination herein is respectfully submitted.

## EXECUTIVE SUMMARY

The main administrative offices of LM General Insurance Company (LM General or the Company) are located in Boston, Massachusetts. The Company's 2020 annual statement filed with the Department reported total premiums written for all states of \$3,464,186,236, of which Delaware has a market share of 1.6% or approximately \$56,301,613.

This examination focused on LM General's automobile insurance business in the following areas of operation: Company Operations and Management, Complaint Handling, Marketing and Sales, Policyholder Services, Underwriting and Rating, and Claims. The following exceptions were noted and the details for the cited code references are included:

- **25,789 Exceptions - 18 Del. C. § 2304(2) False information and advertising generally.**

*(2) False information and advertising generally. — No person shall make, publish, disseminate, circulate or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any person in the conduct of the insurance business, which is untrue, deceptive or misleading.*

The notice PMKT 861DE 04 18 (1) (Information about Policy Rate Determination - Delaware) included the statements "When determining your premium, we consider many factors, such as your credit history, claims history, and household risk characteristics. For example, you may be eligible for certain safety discounts if your vehicle includes features such as adaptive cruise control, lane departure warning, and collision preparation systems." However, there are no discounts given for adaptive cruise control, lane departure warning, or collision preparation systems. The Company indicated that the notice was sent 25,789 times with auto renewals.

- **212 Exceptions - 18 Del. C. § 3905(e) Cancellation or nonrenewal of automobile policy — Notice of cancellation or intention not to renew; notice of reasons; Forms and Rates Bulletin No. 39.**

*18 Del. C. § 3905(e): (e) Each notice of cancellation, except as provided in § 3903(b) of this title, or nonrenewal of a policy shall contain or be accompanied by a notice of the named insured's right to apply to the Commissioner for an appeal therefrom.*

*Forms and Rates Bulletin No. 39: Carriers will need to update all of their forms currently in use that reference the Department's Silver Lake office address as follows:*

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*Carriers are not required to re-file forms currently in use solely for purposes of reflecting the Department's new address.*

*Carriers should ensure that all forms currently in use are promptly updated so that consumers are directed to the new address.*

*At such time as a carrier makes a substantive change to a form currently in use that requires re-filing with the Department, the form filing should reflect the Department's new address.*

The Company failed to promptly update all their forms that were in use. The policyholders were not able to remit an appeal as an incorrect address was provided to the policyholders in the non-renewal letters. The Company indicated that 212 policies (both cancellation and non-renewal) were sent out during the exam period with the wrong address.

- **12 Exceptions - 18 Del. Admin. C. § 902 – 1.2.1.5 Authority for Regulation; Basis for Regulation.**

*1.2.1.5 Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.*

The Company failed to affirm or deny the claims within 30 days after proof of loss was received.

- **1 Exception - 18 Del. Admin. C. § 903-5.1.3 Prompt Pay.**

*5.1.3 The date that all of claimant's documentation has been received and investigation of the claim is complete;*

The Company failed to make a payment upon completion of an investigation.

- **1 Exception - 18 Del. Admin. C. § 902-1.2.1.2 Prohibited Unfair Claim Settlement Practices.**

*1.2.1.2 Failing to acknowledge and respond within 15 working days, upon receipt by the insurer, to communications with respect to claims by insureds arising under insurance policies.*

The Company failed to respond within 15 working days to communications with respect to claims.

- **1 Exception - 18 Del. C. § 2304(16)(n) Unfair claim settlement practices.**

*n. Failing to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement.*

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There was not an explanation of the denial provided.

- **1 Exception - 18 Del. Admin. C. § 905-1.2.2.3 Standards for Safeguarding Customer Information [Formerly Regulation 86].**

*1.2.2.3 to protect against unauthorized access to or use of records or information that could result in substantial harm or inconvenience to a customer.*

The Company failed to protect against unauthorized access to or use of records or information that resulted in an inconvenience to a customer.

## **SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §§318-322 and covered the experience period of January 1, 2018, through March 31, 2021. The purpose of the examination was to determine compliance by the Company with Delaware insurance laws and regulations related the automobile and homeowner lines of business.

## **METHODOLOGY**

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on the errors found in individual files, the examiners also focus on general business practices of the Company.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute, regulation, or bulletin. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and to review written summaries provided on the exceptions found.



## **COMPANY HISTORY AND PROFILE**

Boston-based Liberty Mutual Holding Company Inc., (LMHC), the parent corporation of the Liberty Mutual Insurance group of entities, is a diversified global insurer and fourth largest property and casualty insurer in the U.S. based on 2020 direct written premium. The Company also ranks 77th on the Fortune 100 list of largest corporations in the U.S. based on 2019 revenue. As of December 31, 2020, LMHC had \$145.377 billion in consolidated assets, \$119.420 billion in consolidated liabilities, and \$43.796 billion in annual consolidated revenue.

LMHC, through its subsidiaries and affiliated companies, offers a wide range of property and casualty insurance products and services to individuals and businesses alike. In 2001 and 2002, the Company formed a mutual holding company structure, whereby the three principal mutual insurance companies, Liberty Mutual Insurance Company (LMIC), Liberty Mutual Fire Insurance Company (LMFIC), and Employers Insurance Company of Wausau (EICOW), each became separate stock insurance companies under the ownership of LMHC.

LM General Insurance Company (LM General or Company) was organized on November 17, 1978, in Illinois. In the state of Delaware, the Company is authorized to write Health, Credit Health, Property, Marine & Transportation, Casualty, Including: Vehicle, Liability, Burglary & Theft, Personal Property Floater, Glass, Boiler & Machinery, Credit, Leakage & Fire Extinguisher Equipment, Malpractice, Elevator, Congenital Defects, Livestock, Entertainment and Miscellaneous.

LM General is licensed in the District of Columbia and 47 states, the exceptions being Alaska, Hawaii, and New Jersey. In 2019, LM General reported \$3,721,934,860 premium of which \$55,298,170 was written in Delaware. In 2020, LM General reported \$3,464,186,236 premium of which \$56,301,613 was written in Delaware.

## **COMPANY OPERATIONS AND MANAGEMENT**

The Company provided information documenting its management and operational procedures in areas for which they conduct business for the State of Delaware, including:

- The Company History and Profile
- The Company Organizational Charts
- A list of internal audits conducted in the last three (3) years and a statement that the audits identified were closed/complete and up to date as of the examination period under review
- A copy of the Company's anti-fraud procedures
- Copies of the Annual Reports for 2018, 2019, and 2020.

The documents were reviewed to ensure compliance with the State of Delaware Laws and Regulations.

No exceptions were noted.

## **COMPLAINT HANDLING**

### **A. Complaint Policies and Procedures**

LM General was requested to provide complaint policies and procedures used during the examination period of January 1, 2018, through March 31, 2021. In addition, they were requested to provide their definition of a complaint and examples of management complaint reports.

The policies, procedures, definition, and the examples of complaint reports provided to management, were reviewed for compliance with applicable Delaware Department of Insurance statutes and regulations.

There were no exceptions noted.

### **B. Complaints Review**

LM General was requested to provide a listing of all complaints received during the examination period of January 1, 2018, through March 31, 2021. The Company provided a list of 175 complaints. A random sample of 79 was requested and reviewed. Additionally, the Delaware Department of Insurance provided a list of complaints that were received during the examination period. The listing was reconciled with the Company's complaint listing for any discrepancies. The complaints were reviewed for compliance with applicable Delaware Department of Insurance statutes and regulations.

There were no exceptions noted.

## **MARKETING AND SALES**

LM General was requested to provide a list of a copy of all marketing (including mass marketing), sales and training materials (advertisement and sales tools) distributed or available for distribution. The Company provided a list of 1197 pieces of advertising utilized during the examination period of January 1, 2018, through March 31, 2021. A random sample of 86 advertising materials were selected for review. Additionally, the Company's website <https://www.libertymutual.com> and Facebook social media site [@libertymutual](#) were also reviewed.

The marketing materials, website, and social media were reviewed for compliance with applicable State of Delaware statutes and regulations.

No exceptions were noted.

## **POLICYHOLDER SERVICES**

### **A. Policyholder Services Policies and Procedures**

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LM General was requested to describe the process for policy issuance, insured requested terminations, premium notices, billing notices, policy transactions and responding to policyholder correspondence (not just Complaints), especially those pertaining to claims history and loss information.

In addition, the Company was requested to provide a copy of the procedures for handling the unearned premium calculation and refund.

The Company provided the requested documentation which was reviewed to ensure compliance with Delaware Department of Insurance statutes and regulations.

There were no exceptions noted.

**B. Phone System**

LM General was requested to provide a listing of all phone numbers available for Policyholders and potential Policyholders to call the Company. The Company was also requested to provide a phone tree diagram showing each option available and an explanation of the purposes for each option.

The Company provided a PowerPoint document which shows the main call flows which each of their phone numbers follow. The call flows are distinguished by sales, service, claims, and general. The Companies indicated there were over 66,000 active phone numbers in use across all Liberty Mutual Companies. We tested a total of 18 numbers which were either provided by the company, included in the PowerPoint, listed on Liberty Mutual's website or through internet search. The calls tested each of the four main call flows. The test calls averaged 8-10 minutes to get through the various levels of prompts, with the exception being the sales numbers, which averaged 2 minutes.

The Company provided the requested documentation which was reviewed to ensure compliance with Delaware Department of Insurance statutes and regulations.

There were no exceptions noted.

**UNDERWRITING AND RATING**

**A. Underwriting Policies and Procedures**

LM General was requested to provide its underwriting policies, procedures, rating manuals, rules, and notices that were in use during the examination period of January 1, 2018, through March 31, 2021.

The policies procedures, rating manuals, rules, and notices were reviewed for compliance with applicable Delaware Department of Insurance statutes and regulations.

The following exceptions were noted:

**25,789 Exceptions – 18 Del. C. § 2304(2) False information and advertising generally.**

The notice PMKT 861DE 04 18 (1) (Information about Policy Rate Determination - Delaware) included the statements “When determining your premium, we consider many factors, such as your credit history, claims history, and household risk characteristics. For example, you may be eligible for certain safety discounts if your vehicle includes features such as adaptive cruise control, lane departure warning, and collision preparation systems.” However, there are no discounts given for either adaptive cruise control, lane departure warning, or collision preparation systems. The Company indicated that the notice was sent 25,789 times with auto renewals.

*Recommendation:* It is recommended that the Company not make, publish, disseminate, circulate or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated or placed before the public statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any person in the conduct of the insurance business, which is untrue, deceptive or misleading as required by 18 Del. C. § 2304(2).

**B. Forms**

LM General was requested to provide a list of all forms approved auto forms for use in Delaware during the examination period of January 1, 2018, through March 31, 2021. The Company identified 2,344 auto forms. A random sample of 43 forms was reviewed for compliance with the State of Delaware statutes and regulations.

There were no exceptions were noted.

**C. Automobile New Business**

LM General was requested to provide a listing of all new auto policies issued during the examination period of January 1, 2018, through March 31, 2021. The Company identified 14,927 new auto policies. A sample of 25 new business policies were reviewed for compliance with the State of Delaware statutes and regulations.

No exceptions were noted:

**D. Automobile Renewals**

LM General was requested to provide a listing of all auto renewal policies received during the examination period of January 1, 2018 through March 31, 2021. The Company identified 31,158 auto policies that were renewed. A sample of 25 renewal policies were reviewed for compliance with the State of Delaware statutes and regulations.

No exceptions were noted:

### **E. Automobile Terminated Policies**

LM General was requested to provide a listing of all terminated auto policies received during the examination period of January 1, 2018, through March 31, 2021. The Company identified 657 auto policies that were terminated. A random sample of 86 policies was reviewed for compliance with the State of Delaware statutes and regulations.

The following exceptions were noted:

#### **212 Exceptions – 18 Del. C. § 3905(e) Cancellation or nonrenewal of automobile policy — Notice of cancellation or intention not to renew; notice of reasons; Forms and Rates Bulletin No. 39.**

The Company failed to promptly update all their forms that were in use. The policyholders were not able to remit an appeal as an incorrect address was provided to the policyholders in the non-renewal letters. The Company indicate that 212 policies (both cancellation and non-renewal) were sent out during the exam period with the wrong address.

*Recommendation:* It is recommended that the Company send cancellation and non-renewal notices that contain or be accompanied by a notice of the named insured's right to apply to the Commissioner for an appeal with the correct address as required by 18 Del. C. § 3905(e) and Forms and Rates Bulletin No. 39.

## **CLAIMS**

### **A. Claims Policies and Procedures**

LM General was requested to provide its claims procedures and reference materials in use in Delaware during the examination period of January 1, 2018, through March 31, 2021. The Company was also requested to provide a list of third-party companies or individuals used in the adjusting and handling of claims, and the contracts from a sample of these may be requested, as well as a list of their adjusters.

In addition, the Company was requested to provide copies of all newsletters, bulletin, etc., regularly sent to claim adjusters, a list of all statistical agents to which the Company reports its loss date, copies of all Delaware internal claim audit reports, a list of all licensed adjusters who are employees of the Company, and copies of any training materials provided, especially to new hires.

The Company provided the requested documentation which was reviewed to ensure compliance with the State of Delaware Department of Insurance statutes and regulations.

There were no exceptions noted.

### **B. Automobile Paid Claims**

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LM General was requested to provide a listing of all claims received during the examination period of January 1, 2018, through March 31, 2021. The Company identified 9198 auto claims that were paid. A random sample of 108 claim files were reviewed.

The files were reviewed for compliance with the State of Delaware statutes and regulations.

There were no exceptions noted.

**C. Automobile Denied Claims**

LM General was requested to provide a listing of all auto claims received during the examination period of January 1, 2018, through March 31, 2021. The Company identified 162 auto claims that were denied. A random sample of 76 auto claim files were reviewed for compliance with the State of Delaware statutes and regulations.

The following exceptions were noted:

**11 Exceptions - 18 Del. Admin. C. § 902 – 1.2.1.5 Authority for Regulation; Basis for Regulation.**

The Company failed to affirm or deny the claims within 30 days after proof of loss was received.

*Recommendation:* It is recommended that the Company affirm or deny coverage or a claim or advise the person presenting the claim, in writing within 30 days after proof of loss was received as required by 18 Del. Admin. C. § 902 – 1.2.1.5.

**1 Exception - 18 Del. Admin. C. § 903-5.1.3 Prompt Pay.**

The Company failed to make a payment upon completion of an investigation.

*Recommendation:* It is recommended that the Company make prompt payment upon the completion of an investigation as required by 18 Del. Admin. C. § 903-5.1.3.

**D. Automobile Closed Without Payment**

LM General was requested to provide a listing of all auto claims received during the examination period of January 1, 2018, through March 31, 2021. The Company identified 2565 auto claims that were closed without payment. A random sample of 107 auto claim files were reviewed for compliance with the State of Delaware statutes and regulations.

The following exceptions were noted:

**1 Exception – 18 Del. Admin. C. § 902-1.2.1.2 Prohibited Unfair Claim Settlement Practices.**

The Company failed to respond within 15 working days to communications with respect to claims.

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*Recommendation:* It is recommended that the Company acknowledge and respond within 15 working days to communications with respect to claims as required by 18 *Del. Admin. C.* § 902-1.2.1.2.

**1 Exception - 18 *Del. Admin. C.* § 902 – 1.2.1.5 Authority for Regulation; Basis for Regulation.**

The Company failed to affirm or deny the claim within 30 days after proof of loss was received.

*Recommendation:* It is recommended that the Company affirm or deny coverage or a claim or advise the person presenting the claim, in writing within 30 days after proof of loss was received as required by 18 *Del. Admin. C.* § 902 – 1.2.1.5.

**1 Exception – 18 *Del. C.* § 2304(16)(n) Unfair claim settlement practices.**

There was not an explanation of the denial provided.

*Recommendation:* It is recommended that the Company promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim as required by 18 *Del. C.* § 2304(16)(n).

**1 Exception – 18 *Del. Admin. C.* § 905-1.2.2.3 Standards for Safeguarding Customer Information [Formerly Regulation 86].**

The Company failed to protect against unauthorized access to or use of records or information that resulted in an inconvenience to a customer.

*Recommendation:* It is recommended that the Company protect against unauthorized access to or use of records or information that could result in substantial harm or inconvenience to a customer as required by 18 *Del. Admin. C.* § 905-1.2.2.3.

## **CONCLUSION**

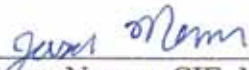
The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company not make, publish, disseminate, circulate or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated or placed before the public statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any person in the conduct of the insurance business, which is untrue, deceptive or misleading as required by 18 *Del. C.* § 2304(2). (Underwriting and Rating- Policies and Procedures).
2. It is recommended that the Company send cancellation and non-renewal notices that contain or be accompanied by a notice of the named insured's right to apply to the Commissioner for an appeal with the correct address as required by 18 *Del. C.* § 3905(e) and Forms and Rates Bulletin No. 39. (Underwriting and Rating-Automobile Terminated Policies).
3. It is recommended that the Company affirm or deny coverage or a claim or advise the person presenting the claim, in writing within 30 days after proof of loss was received as required by 18 *Del. Admin. C.* § 902 – 1.2.1.5. (Claims- Automobile Denied)(Claims- Automobile Closed Without Payment).
4. It is recommended that the Company make prompt payment upon the completion of an investigation as required by 18 *Del. Admin. C.* § 903-5.1.3. (Claims-Automobile Denied).
5. It is recommended that the Company acknowledge and respond within 15 working days to communications with respect to claims as required by 18 *Del. Admin. C.* § 902-1.2.1.2. (Claims- Automobile Closed Without Payment).
6. It is recommended that the Company promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim as required by 18 *Del. C.* § 2304(16)(n). (Claims- Automobile Closed Without Payment).
7. It is recommended that the Company protect against unauthorized access to or use of records or information that could result in substantial harm or inconvenience to a customer as required by 18 *Del. Admin. C.* § 905-1.2.2.3. (Claims- Automobile Closed Without Payment).

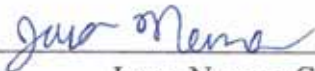


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The examination conducted by Joseph Krug, Jason Nemes, Gwen Douglas, and Pete Salvatore is respectfully submitted.

  
\_\_\_\_\_  
Jason Nemes, CIE, MCM  
Examiner-in-Charge  
Market Conduct  
Delaware Department of Insurance

I, Jason Nemes, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 36447-21-519.

  
\_\_\_\_\_  
Jason Nemes, CIE, MCM