

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

Liberty Insurance Corporation
Authority #42404-23-545

Liberty Mutual Personal Insurance Company
Authority #12484-23-543

LM Insurance Corporation
Authority #33600-23-544

175 Berkeley Street
Boston, MA 02116

As of

July 31, 2023

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 July 31, 2023 on

**Liberty Insurance Corporation
Liberty Mutual Personal Insurance Company
LM Insurance Corporation**

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

Attest By:



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 18th day of March, 2025.

Trinidad Navarro
Insurance Commissioner

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF THE
**Liberty Insurance Corporation
Liberty Mutual Personal Insurance Company
LM Insurance Corporation**

AS OF
July 31, 2023

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 18th day of March, 2025.


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 Numbers 42404-23-545, 12484-23-543, 33600-23-544, and pursuant to statutory provisions including 18 *Del. C.* §318-322, a market conduct examination has been conducted of the affairs and practices of:

Liberty Insurance Corporation, NAIC #42404
Liberty Mutual Personal Insurance Company, NAIC #12484
LM Insurance Corporation, NAIC #33600

The examination was performed as of July 31, 2023.

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

Liberty Insurance Corporation (LIC), Liberty Mutual Personal Insurance Company (LMPIC), and LM Insurance Corporation (LMIC) are multi-line property and casualty insurance companies. These three Liberty Mutual Companies reported total direct premiums written in 2022 for all states of \$7,354,802,464, of which Delaware has a market share of \$59,779,138 or approximately 0.8%.

The report encompasses three Liberty Mutual Companies and throughout the report, when an exception is noted that pertains to a specific Company, that Company will be named. If the exception pertains to all three companies, either the Liberty Mutual Group or the Companies will be noted.

This examination focused the Companies' business in the following areas of operation: Company Operations and Management, Complaint Handling, Marketing and Sales, Policyholder Services, Producer Licensing, and Underwriting and Rating. The scope of the examination was expanded on March 27, 2024, to focus on the adjusting and processing of Homeowner Claims for the Liberty Mutual Group by Third-Party Adjusters (TPAs). The following exceptions were noted and the details for the cited code references are included:

- **10 Exceptions**

- **18 Del. C. § 1716(d)(1) Notification to Insurance Commissioner of termination.**

- *(d) Copy of notification to be provided to producer. — (1) Within 15 days after making the notification required by subsections (a), (b) and (c) of this section, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in § 1712 of this title, the insurer shall provide a copy of the notification to the producer at that producer's last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.*

The Companies failed to mail the termination letter to the producers.

- **8,110 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

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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 Companies indicated that the notice was sent 14,350 times during the period of March 31, 2021, to July 31, 2023. Of note, the Company stopped using the form on October 21, 2022, for new business and on December 16, 2022 for renewal business. This was cited in the previous examination reports of Liberty Mutual Fire Insurance Corporation and LM General Insurance Company dated March 31, 2021.

- **11 Exceptions**

- **18 Del. C. § 2503 - Making of rates.**

- *(a) Rates must be made in accordance with the following provisions:*

- *(1) Manual, minimum, class rates, rating schedules or rating plans shall be made and adopted, except in the case of specific inland marine rates on risks specially rated;*

- *(2) Rates shall not be excessive, inadequate or unfairly discriminatory;*

LMIC applied an incorrect zip code (rate) to a policy that was issued. As step sampling was applied, an extrapolation of the exceptions was extended to the entire sample.

- **31,696 Exceptions**

- **18 Del. C. § 2304(1)a Misrepresentations and false advertising of insurance policies.**

- *(1) Misrepresentations and false advertising of insurance policies. — No person shall make, issue, circulate or cause to be made, issued or circulated any estimate, circular, statement, sales presentation, omission or comparison which:*

- *a. Misrepresents the benefits, advantages, conditions or terms of any insurance policy;*

LMPIC listed a claims free discount on members’ declaration pages. However, there is no claims free discount. The Company stated there were 31,696 LMPIC policies during the exam period with the claims free discount listed on the declaration pages.

- **46 Exceptions**

- **18 Del. C. § 2503 - Making of rates.**

- *(a) Rates must be made in accordance with the following provisions:*

- *(1) Manual, minimum, class rates, rating schedules or rating plans shall be made and adopted, except in the case of specific inland marine rates on risks specially rated;*

- *(2) Rates shall not be excessive, inadequate or unfairly discriminatory;*

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LMPIC applied transition factors that were not in effect to the rating of members' policies. As step sampling was applied, an extrapolation of the exceptions was extended to the entire sample.

- **57 Exceptions**

- **18 Del. C. § 320(c) Conduct of examination; access to records; correction.**

- *(c) Every person being examined, the person's officers, attorneys, employees, agents and representatives, shall make freely available to the Commissioner, or the Commissioner's examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person's possession or control, relating to the subject of the examination and shall facilitate the examination.*

- The Companies failed to provide the requested policy applications and homeowner declination/termination notices as detailed in the body of this report.

- **68 Exceptions**

- **18 Del. C. § 320(c) Conduct of examination; access to records; correction.**

- *(c) Every person being examined, the person's officers, attorneys, employees, agents and representatives, shall make freely available to the Commissioner, or the Commissioner's examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person's possession or control, relating to the subject of the examination and shall facilitate the examination.*

- LIC was unable to provide the specific reasons for termination/declination and instead repeated the generic DE Coastal Policy. The Examiners are unable to determine if the requester would have been able to get specific reasons as required by 18 Del. C. § 4122(a).

- **2 Exceptions**

- **18 Del. C. § 1703 Licensed required.**

- *A person shall not transact insurance in this State for any class or classes of insurance unless the person is licensed as an insurance producer, adjuster or appraiser for that line of authority in accordance with this chapter.*

- The Companies transacted insurance in Delaware with adjusters that were not properly licensed.

- **1 Exception**

- **18 Del. Admin. C. § 902-3.1.1 Prohibited Unfair Claims Settlement Practices.**

- *3.1.1 Misrepresenting pertinent facts or insurance policy provisions relating to coverage at issue.*

- LMFIC misrepresented pertinent facts or insurance policy provisions on the denial letter dated January 30, 2024. The Company denied a claim based on an inaccurate interpretation of the facts.

- **1 Exception**

18 Del. Admin. C. § 902-3.1.2 Prohibited Unfair Claims Settlement Practices.

3.1.2 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.

LMPIC failed to acknowledge and respond to communications related to claims within 15 working days, to communication by insureds.

- **9 Exceptions**

18 Del. Admin. C. § 902-3.1.5 Prohibited Unfair Claims Settlement Practices.

3.1.5 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 Companies failed to affirm or deny coverage or a claim or advise of the reason for the inability to do so within 30 days after proof of loss statement.

- **7 Exceptions**

18 Del. Admin. C. § 903-5.0 Prompt Payment.

5.1 Under 18 Del.C. §2304(16)(f), persons are required in good faith to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear. A person shall make prompt payment of a claim that has settled. For purposes of this regulation, prompt payment is defined as remittance of the check or electronic payment within 30 days from any one of the following dates:

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

The Companies failed to make prompt payment of the claims within 30 days.

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, 2021, through July 31, 2023, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Delaware insurance laws and regulations related to 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.

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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 the fifth largest global property and casualty insurer based on 2022 gross written premium. They also rank 86th on the Fortune 100 list of largest corporations in the US based on 2022 revenue. As of December 31, 2022, they had \$50.0 billion in annual consolidated revenue.

Liberty Insurance Company (LIC) offers Accident and Health, Agriculture, Aircraft, Allied Lines, Animal, Boiler & Machinery, Burglary and Theft, Business Interruption, Casualty, Commercial Auto, Commercial Multi-Peril, Disability, Earthquake, Farmowners Multi-Peril, Federal Flood, Fidelity, Fire, Glass, Homeowners, Inland Marine, Liability, Marine, Ocean Marine, Personal Auto, Personal Property Floater, Product Liability, Property, Reinsurance (33), Surety, and Workers Comp. The Company is licensed in all 50 states, the District of Columbia and Puerto Rico. In 2022 the Company reported \$2,139,413,591 of direct written premium of which Delaware has a market share of \$4,557,640 or approximately 0.2%.

Liberty Mutual Personal Insurance Company (LMPIC) offers Accident and Health, Allied Lines, Automobile, Boiler and Machinery, Burglary and Theft, Casualty, Credit, Disability, Earthquake, Farmowners, Fire, Flood, General Casualty, General Liability, General Property, Glass, Homeowners, Inland Marine, Liability, Livestock, Marine, Ocean Marine, Other Allied Lines, Other Liability, Other Private Passenger Auto Liability (19.2),

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Personal Property Floater, Property, Transportation, Water Damage, and Windstorm & Hail. The Company is licensed in all 50 states, the District of Columbia and Puerto Rico. In 2022 the Company reported \$3,919,618,142 of direct written premium of which Delaware has a market share of \$48,829,130 or approximately 1.2%.

LM Insurance Corporation offers Accident & Health, Aircraft, Allied Lines, Animal, Automobile, Boiler & Machinery, Burglary and Theft, Business Interruption, Cargo Liability, Casualty, Commercial Auto, Commercial Multi-Peril, Commercial Property, Common Carrier Liability, Disability, Dwellings, Earthquake, Elevator, Employers Liability, Farmowners Multi-Peril, Federal Flood, Fidelity, Fire, General Liability, Glass, Group A&H, Guaranty, Homeowners, Homeowners Multi-Peril, Inland Marine, Liability, Marine, Ocean Marine, Personal Property Floater, Product Liability, Professional Liability, Property, Reinsurance, Surety, Transportation, Water Damage, and Workers Compensation. The Company is licensed in all 50 states, the District of Columbia and Puerto Rico. In 2022 the Company reported \$1,295,770,731 of direct written premium of which Delaware has a market share of \$6,392,368 or approximately .4%.

COMPANY OPERATIONS AND MANAGEMENT

The Companies were requested to provide a copy of the management structure, lines of business, annual statements, description of fines and penalties, internal audits, anti-fraud procedures, long and short term plans for the Delaware market, plans to withdrawal from the Delaware market, if applicable. They were also asked to identify Liberty Companies that have closed and opened, the strategies behind the closing and opening of companies, the relationship with Peerless Insurance and identify all Liberty Mutual Companies actively selling or accepting applications for auto and/or homeowner insurance in Delaware during the exam period of January 1, 2021, through July 31, 2023. All policy and procedure files and documentation were reviewed for compliance with applicable statutes and regulations.

In response to the relationship with Peerless Insurance the Company replied “Peerless Insurance Company is a subsidiary of Liberty Mutual Group. A simplified renters insurance program started writing business effective 7/22/2019 in Peerless Insurance Company in Delaware (Introductory filing with State Tracking Number 85329).” However, the Company also identified Peerless Indemnity Insurance Company as actively selling or accepting homeowners.

The Liberty Mutual Insurance Company Overview provided indicated that Liberty Insurance Corporation (HO6-condo insurance), Liberty Mutual Personal Insurance Company (AOV-auto insurance and HO3-homeowners insurance) and LM Insurance Corporations (AOV-auto insurance and HO3-homeowners insurance) were still actively selling or accepting customers. The Company, also indicated, that Liberty Insurance Corporation discontinued new homeowner business and landlord policies in 2019 with policies being transitioned to Liberty Mutual Personal Insurance Company. The Company indicated that LM Insurance Corporation is a closed book of business, and all new private passenger business is being written by Liberty Mutual Insurance Company and Liberty Mutual Personal Insurance Company as of 2021.

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There were no exceptions noted.

COMPLAINT HANDLING

A. Complaint Policies and Procedures

The Companies were requested to provide a copy of the Consumer/Provider Complaint Handling guidelines and/or procedures during the exam period of January 1, 2021, through July 31, 2023. The Companies' complaints consisted of the Presidential Service Team and Legislative complaints received for Liberty Insurance Corporation, Liberty Mutual Personal Insurance Company. As there were only two roadside assistance complaints with LM Insurance Company they were not reviewed. The policies and procedures related to the handling and processing of complaints were provided and reviewed.

There were no exceptions noted.

B. Liberty Insurance Corporation Complaints

LIC was requested to provide a copy of the Company's complaints which consisted of the Presidential Service Team and Legislative complaints. The Company provided a listing that included 11 complaints for Liberty Insurance Corporation. The Examiners focused on Premium/Billing, Claims, Liability Determination, Unsatisfactory Claims Settlement Offers and Underwriting in drawing the samples. A total of seven complaint samples fitting the criteria were requested and reviewed. The complaints were reviewed for compliance with applicable Statutes and Regulations.

There were no exceptions noted.

C. Liberty Mutual Personal Insurance Company Complaints

LMPIC was requested to provide a copy of the Company's complaints which consisted of the Presidential Service Team and Legislative complaints. The Company provided a listing that included 108 complaints for Liberty Mutual Personal Insurance Company. The Examiners focused on Premium/Billing, Claims, Liability Determination, Unsatisfactory Claims Settlement Offers and Underwriting in drawing the samples. A total of 48 complaint samples fitting the criteria were requested and reviewed. The complaints were reviewed for compliance with applicable Statutes and Regulations.

There were no exceptions noted.

MARKETING AND SALES

The Companies were requested to provide a listing of all marketing & sales materials used during the period of January 1, 2021, through July 31, 2023. The Company provided a universe of 3443 pieces of marketing & sales materials used by the Liberty Group. A

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random sample of 76 marketing & sales materials were reviewed for compliance with applicable state statutes and regulations.

No exceptions were noted.

PRODUCER LICENSING

A. Producer Licensing Policies and Procedures

The Companies were requested to provide a copy of the policies and procedures related to producer licensing, commissions and motivational awards for producers during the exam period of January 1, 2021, through July 31, 2023. All policy and procedure files for the licensing, payment of commissions and motivational awards were reviewed for compliance with applicable statutes and regulations.

There were no exceptions noted.

B. Appointed Producers

The Companies were asked to provide a listing of all producers that were appointed during the period of January 1, 2021, through July 31, 2023. The Company provided a universe of 5684 producers appointed. A random sample of 115 appointed producers was selected and reviewed for compliance with applicable state statutes and regulations.

There were no exceptions noted.

C. Terminated Producers

The Companies were asked to provide a listing of all producers that were terminated during the period of January 1, 2021, through July 31, 2023. The Company provided a universe of 830 producers terminated. A random sample of 86 terminated producers was selected and reviewed for compliance with applicable state statutes and regulations.

The following exceptions were noted:

10 Exceptions – 18 Del. C. § 1716(d)(1) Notification to Insurance Commissioner of termination.

The Companies failed to mail the termination letter to the producers.

Recommendation: It is recommended that the Companies mail a copy of the notification of termination to the producer at his or her last known address within 15 days as required by 18 Del. C. § 1716(d)(1).

POLICYHOLDER SERVICES

The Companies were requested to provide a copy of the policies and procedures related to policy cancellations and DE Coastal guidelines during the exam period of January 1, 2021, through July 31, 2023. All policy and procedure files were reviewed for compliance with applicable statutes and regulations.

There were no exceptions noted.

UNDERWRITING AND RATING

The auto policies and homeowner policies universe listings were reviewed and compared from the last year in a closed Company to the next year for the new Company. The policy declaration pages, on the step sampling below, were also reviewed between new and renewal business for the same Company.

In auto the Companies often send notices to consumers indicating that additional discounts may be available for an existing policy. If the policyholder contacts the company and requests a revised rating, that process would be performed by LMPIC or LMIC, as they are the only Liberty companies currently writing new business. If the policyholder accepts the new offer, the policy will be changed to the new company. If the policyholder rejects the new offer, their policy will remain with the original Liberty company.

In homeowners the Company automatically transitioned policyholders into the new Company and there was a notice that was provided, PMKT 1384 05 19 Important Notice - Notice of Changing Company, which went into effect May 2019. Any change in the policyholder's premium was due to inflation factors and the approved rates for the new Companies that were filed. There were no commissions paid to agents for the transitions as the transitions were automatic.

A sample of 114 auto policies and 116 homeowner policies were requested and a step sample of the first twenty-five (25) policies for auto and for homeowners were reviewed for compliance with applicable state statutes and regulations.

There were no exceptions noted.

A. Auto Forms and Disclosures Notices

The Companies were asked to provide a listing of auto forms that were used during the period of January 1, 2021, through July 31, 2023. The Company provided a universe of 58 auto forms and 17 disclosure notices used by Liberty Mutual Personal Insurance Company and 56 auto forms used by Liberty Insurance Corporation; 59 auto forms used by LM Insurance Corporation; and 17 disclosure notices. All the forms and notices were reviewed for compliance with applicable state statutes and regulations.

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The following exceptions were noted:

8,110 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 adaptive cruise control, lane departure warning, or collision preparation systems. The Company indicated that the notice was sent 14,350 times during the period of March 31, 2021, to July 31, 2023. Of note, the Company stopped using the form on October 21, 2022, for new business and on December 16, 2022 for renewal business.

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. Homeowner Forms and Disclosure Notices

The Companies were asked to provide a listing of homeowner forms that were used during the period of January 1, 2021, through July 31, 2023. The Company provided a universe of 114 homeowner forms and disclosures used by Liberty Mutual Personal Insurance Company and 72 homeowner forms and disclosures used by Liberty Insurance Corporation and LM Insurance Corporation. All the forms were reviewed for compliance with applicable state statutes and regulations.

There were no exceptions noted.

C. LMPIC Auto New Business

LMPIC was requested to provide a listing of all new auto policies issued during the examination period of January 1, 2021, through July 31, 2023. The Company provided a universe of 11,400 new auto policies. A random sample of 116 was selected for review. A step sample of the first five (5) policies was reviewed for compliance with applicable state statutes and regulations.

No exceptions were noted.

D. LMIC Auto New Business

LMIC was requested to provide a listing of all new auto policies issued during the examination period of January 1, 2021, through July 31, 2023. The Company provided a universe of 115 new auto policies. A random sample of 79 was selected for review. A step sample of the first five (5) policies was reviewed for compliance with applicable state statutes and regulations.

No exceptions were noted.

E. LIC Homeowner New Business

LIC was requested to provide a listing of all homeowner new policies issued during the examination period of January 1, 2021, through July 31, 2023. The Company provided a universe of 268 new homeowner policies. A random sample of 79 was selected for review. A step sample of the first five (5) policies was reviewed for compliance with applicable state statutes and regulations.

No exceptions were noted.

F. LMPIC Homeowner New Business

LMPIC was requested to provide a listing of all homeowner new policies issued during the examination period of January 1, 2021, through July 31, 2023. The Company provided a universe of 6092 new homeowner policies. A random sample of 115 was selected for review. A step sample of the first five (5) policies was reviewed for compliance with applicable state statutes and regulations.

No exceptions were noted.

G. LMIC Homeowner New Business

LMIC was requested to provide a listing of all homeowner new policies issued during the examination period of January 1, 2021, through July 31, 2023. The Company provided a universe of 55 new homeowner policies. All 55 policies were selected for review. A step sample of the first five (5) policies was reviewed for compliance with applicable state statutes and regulations.

The following exceptions were noted:

11 Exceptions – 18 *Del. C. § 2503* - Making of rates.

LMIC applied an incorrect zip code (rate) to a policy that was issued. As step sampling was applied, an extrapolation of the exceptions was extended to the entire sample.

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Recommendation: It is recommended that the Company's Rates not be excessive, inadequate or unfairly discriminatory as required by 18 *Del. C.* § 2503.

H. LMPIC Auto Renewal Business

LMPIC was requested to provide a listing of all renewed auto policies issued during the examination period of January 1, 2021, through July 31, 2023. The Company provided a universe of 2,012 renewed auto policies. A random sample of 114 was selected for review. A step sample of the first five (5) policies was reviewed for compliance with applicable state statutes and regulations.

No exceptions were noted.

I. LMPIC Homeowner Renewal Business

LMPIC was requested to provide a listing of all renewed homeowner policies issued during the examination period of January 1, 2021, through July 31, 2023. The Company provided a universe of 17,130 renewed homeowner policies. A random sample of 116 was selected for review. A step sample of the first five (5) policies was reviewed for compliance with applicable state statutes and regulations.

The following exceptions were noted:

31,696 Exceptions – 18 *Del. C.* § 2304(1)a Misrepresentations and false advertising of insurance policies.

LMPIC listed a claims free discount on members' declaration pages. However, there is no claims free discount. The Company stated there were 31,696 LMPIC policies during the exam period with the claims free discount listed on the declaration pages.

Recommendation: It is recommended that the Company not make, issue, circulate or cause to be made, issued or circulated any estimate, circular, statement, sales presentation, omission or comparison which misrepresents the benefits, advantages, conditions or terms of the insurance policy as required by 18 *Del. C.* § 2304(1)a.

46 Exceptions – 18 *Del. C.* § 2503 - Making of rates.

LMPIC applied transition factors that were not in effect to the rating of member's policies. As step sampling was applied, an extrapolation of the exceptions was extended to the entire sample.

Recommendation: It is recommended that the Company's Rates not be excessive, inadequate or unfairly discriminatory as required by 18 *Del. C.* § 2503.

J. LMPIC Auto Terminated Policies

LMPIC was asked to provide a listing of auto policy terminations that occurred during the period of January 1, 2021, through July 31, 2023. The Company provided a universe of 139 auto terminated policies. A random sample of 79 were reviewed for compliance with applicable state statutes and regulations.

The following exceptions were noted:

2 Exceptions – 18 Del. C. § 320(c) Conduct of examination; access to records; correction.

LMPIC failed to provide a copy of the policy applications.

Recommendation: It is recommended that the Company make freely available to the Commissioner, or the Commissioner’s examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person’s possession or control, relating to the subject of the examination and shall facilitate the examination as required by 18 Del. C. § 320(c).

K. LMIC Auto Terminated Policies

LMIC was asked to provide a listing of auto policy terminations that occurred during the period of January 1, 2021, through July 31, 2023. The Company provided a universe of 63 auto terminated policies. A sample of 20 policies determined to be cancellations were reviewed for compliance with applicable state statutes and regulations.

There were no exceptions noted.

L. LIC Homeowner Terminated Policies

LIC was asked to provide a listing of homeowner terminations and declinations that occurred during the period of January 1, 2021, through July 31, 2023. The Company provided a universe of 317 homeowner terminations/declinations. A random sample of 79 was reviewed for compliance with applicable state statutes and regulations.

The following exceptions were noted:

8 Exceptions – 18 Del. C. § 320(c) Conduct of examination; access to records; correction.

LIC failed to provide the requested termination/declination notice of homeowner policies.

Recommendation: It is recommended that the Company make freely available to the Commissioner, or the Commissioner’s examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person’s possession or control, relating to the subject of the examination and shall facilitate the examination as required

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by 18 *Del. C.* § 320(c).

68 Exceptions – 18 *Del. C.* § 320(c) Conduct of examination; access to records; correction.

LIC was unable to provide the specific reasons for termination/declination and instead repeated the generic DE Coastal Policy. The Examiners are unable to determine if the requester would have been able to get specific reasons as required by 18 *Del. C.* § 4122(a).

Recommendation: It is recommended that the Company make freely available to the Commissioner, or the Commissioner’s examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person’s possession or control, relating to the subject of the examination and shall facilitate the examination as required by 18 *Del. C.* § 320(c).

M. LMPIC Homeowner Terminations

LMPIC was asked to provide a listing of homeowner terminations and declinations that occurred during the period of January 1, 2021, through July 31, 2023. The Company provided a universe of 4,998 homeowner terminations/declinations. A random sample of 115 was reviewed for compliance with applicable state statutes and regulations.

The following exceptions were noted:

21 Exceptions – 18 *Del. C.* § 320(c) Conduct of examination; access to records; correction.

LMPIC failed to provide the requested termination/declination notice of homeowner policies.

Recommendation: It is recommended that the Company make freely available to the Commissioner, or the Commissioner’s examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person’s possession or control, relating to the subject of the examination and shall facilitate the examination as required by 18 *Del. C.* § 320(c).

N. LMIC Homeowner Terminations

LMIC was asked to provide a listing of homeowner terminations and declinations that occurred during the period of January 1, 2021, through July 31, 2023. The Company provided a universe of 512 homeowner terminations/declinations. A random sample of 86 was reviewed for compliance with applicable state statutes and regulations.

The following exceptions were noted:

26 Exceptions – 18 Del. C. § 320(c) Conduct of examination; access to records; correction.

LMIC failed to provide the requested termination/declination notice of homeowner policies.

Recommendation: It is recommended that the Company make freely available to the Commissioner, or the Commissioner’s examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person’s possession or control, relating to the subject of the examination and shall facilitate the examination as required by 18 Del. C. § 320(c).

THIRD-PARTY ADJUSTERS

The examination was expanded on March 27, 2024, to include the adjusting and processing of Homeowner Claims for the Liberty Mutual Group by Third-Party Adjusters (TPAs). The Companies were requested to provide a listing of all TPA Claims during the exam period of January 1, 2021, through December 31, 2023. The Company identified ALLCAT and Sedgwick as Third-Party Administrators in use during the examination period. The Company provided a universe of 386 paid and denied claims. A random sample of 84 claims was reviewed for compliance with the applicable Statutes and Regulations.

The following exceptions were noted:

2 Exceptions – 18 Del. C. § 1703 Licensed required.

The Companies transacted insurance in Delaware with adjusters that were not properly licensed.

Recommendation: It is recommended that the Company not allow adjusters to transact insurance in this State for any class or classes of insurance unless the person is licensed as an insurance producer, adjuster or appraiser for that line of authority in accordance with this chapter. as required by 18 Del. C. § 1703.

1 Exception – 18 Del. Admin. C. § 902-3.1.1 Prohibited Unfair Claims Settlement Practices.

LMFIC misrepresented pertinent facts or insurance policy provisions on the denial letter dated January 30, 2024. The Company denied a claim based on an inaccurate interpretation of the facts.

Recommendation: It is recommended that LMFIC accurately represent pertinent facts or insurance policy provisions relating to coverage at issue as required by 18 Del. Admin. C. § 902-3.1.1.

1 Exception – 18 Del. Admin. C. § 902-3.1.2 Prohibited Unfair Claims Settlement Practices.

LMPIC failed to acknowledge and respond within 15 working days, to communication by insureds.

Recommendation: It is recommended that LMPIC acknowledge and respond to communications with respect to claims within 15 working days as required by 18 Del. Admin. C. § 902-3.1.2.

9 Exceptions – 18 Del. Admin. C. § 902-3.1.5 Prohibited Unfair Claims Settlement Practices.

The Companies failed to affirm or deny coverage or a claim or advise of the reason for the inability to do so within 30 days after proof of loss statement.

Recommendation: It is recommended that the Companies 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 as required by 18 Del. Admin. C. § 902-3.1.5.

7 Exceptions – 18 Del. Admin. C. § 903-5.0 Prompt Payment.

The Companies failed to make prompt payment of the claims within 30 days.

Recommendation: It is recommended that the Companies make prompt payment of claims within 30 days as required by 18 Del. Admin. C. § 903-5.0.

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 Companies mail a copy of the notification of termination to the producer at his or her last known address within 15 days as required by 18 Del. C. § 1716(d)(1). (Producer Licensing).
2. 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).
3. It is recommended that the Company's Rates not be excessive, inadequate or unfairly discriminatory as required by 18 Del. C. § 2503. (Underwriting and Rating).
4. It is recommended that the Company not make, issue, circulate or cause to be made, issued or circulated any estimate, circular, statement, sales presentation, omission or comparison which misrepresents the benefits, advantages, conditions or terms of the insurance policy as required by 18 Del. C. § 2304(1)a. (Underwriting and Rating).
5. It is recommended that the Company make freely available to the Commissioner, or the Commissioner's examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person's possession or control, relating to the subject of the examination and shall facilitate the examination as required by 18 Del. C. § 320(c). (Underwriting and Rating).
6. It is recommended that the Company not allow adjusters to transact insurance in this State for any class or classes of insurance unless the person is licensed as an insurance producer, adjuster or appraiser for that line of authority in accordance with this chapter. as required by 18 Del. C. § 1703. (Third-Party Adjusters).
7. It is recommended that LMFIC accurately represent pertinent facts or insurance policy provisions relating to coverage at issue as required by 18 Del. Admin. C. § 902-3.1.1. (Third-Party Adjusters).
8. It is recommended that LMPIC acknowledge and respond to communications with respect to claims within 15 working days as required by 18 Del. Admin. C. § 902-3.1.2. (Third-Party Adjusters).

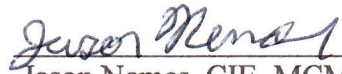
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9. It is recommended that the Companies affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days as required by 18 *Del. Admin. C.* § 902-3.1.5. (Third-Party Adjusters).

10. It is recommended that the Companies make prompt payment of claims within 30 days as required by 18 *Del. Admin. C.* § 903-5.0. (Third-Party Adjusters).

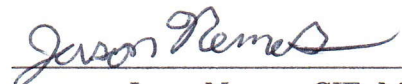
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The examination conducted by Joseph Krug, Jason Nemes, Gwendolyn Douglas, Peter Salvatore, Michael Vogel, and Stephen Misenheimer is respectfully submitted.



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 numbers 42404-23-545, 12484-23-543, and 33600-23-544.



Jason Nemes, CIE, MCM