

Report on

Market Conduct Examination

of the

Metropolitan Property and Casualty Insurance Company

Warwick, Rhode Island

by Representatives of the

North Carolina Department of Insurance

as of

February 3, 2016

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Raleigh, North Carolina
February 3, 2016

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
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Raleigh, North Carolina 27603

Honorable Elizabeth Kelleher Dwyer
Superintendent of Insurance
State of Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Bldg. 69-2
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Honorable Commissioner and Honorable Superintendent:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

Metropolitan Property and Casualty Insurance Company (NAIC #26298)

NAIC Exam Tracking System Exam Number: NC299-M90
Warwick, Rhode Island

hereinafter generally referred to as the Company, at the Company's home office located at 700 Quaker Lane, Warwick, Rhode Island, and at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Department conducted a target examination of the Company. This examination commenced on October 26, 2015, and covered the period of January 1, 2012, through June 30, 2015, with analyses of certain operations of the Company being conducted through February 2, 2016.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, but included a limited review of the Company's practices and procedures in marketing and underwriting. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0 percent tolerance level for the use of forms and rates/rules that were neither filed with nor approved by the Department and 5 percent for all other areas reviewed. Sample sizes were generated via an Audit Command Language (ACL) program with a random sample taken from a given population. The Department utilized a 95% Confidence Level to determine the error tolerance level.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's procedures and practices in the following area:

Underwriting Practices – Homeowners policies rated using incorrect rates.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site www.ncdoi.com by clicking "INSURANCE DIVISIONS" then "Legislative Services".

This examination identified various statutory violations, 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 in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions must be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

MARKETING

Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. We reviewed the following line of business:

- Homeowners

Filings for the homeowners line of business were made by the North Carolina Rate Bureau on behalf of the Company. Deviations for this line of business were made to the Department by the Company.

UNDERWRITING PRACTICES

Overview

The Company's marketing in North Carolina is directed to personal and commercial lines of business. The Company provided the examiners with listings of the following type of active policies for the period under examination:

- Homeowners

A random selection of 35 policies was made from a total population of 41,975. Each policy was reviewed for adherence to underwriting guidelines, file documentation, and premium determination. Additionally, the policies were examined to determine compliance with the

appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules.

Homeowners

The Company's homeowners policies were written on an annual basis. Coverages were written utilizing manual rates, deviated rates, and on a consent to rate basis. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines. All policy files contained sufficient documentation to support the Company's classification of the risk.

The Company did not adhere to the provisions of NCGS 58-36-30 as three policies were rated incorrectly resulting in one premium overcharge. At the request of the examiners, the Company will issue a refund in the amount of \$120.00. The rating errors consisted of the following:

- Incorrect protection class for one policy.
- Incorrect base rate for two policies.

As a result of the incorrect base rates, the Company initiated a self-audit and will identify all affected policyholders. The Company will issue refund checks or credit policy premiums.

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company must reinforce procedures to ascertain that correct fire districts are used to determine the protection class rating for homeowners policies, including, but not limited to, determining how many road miles the insured property lies from the nearest responding fire station. The Company must also reinforce procedures to assure timely implementation of rate changes or other changes filed by the North Carolina Rate Bureau and approved by the Department.

CONCLUSION

An examination has been conducted on the market conduct affairs of Metropolitan Property and Casualty Insurance Company for the period January 1, 2012, through June 30, 2015, with analyses of certain operations of the Company being conducted through February 2, 2016.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of the Company's operations in the areas of marketing and underwriting practices.

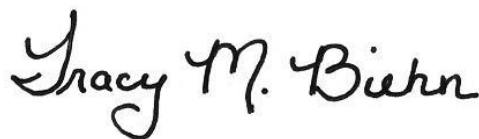
In addition to the undersigned, James P. McQuillan, CPCU, AIT, MCM, North Carolina Market Conduct Examiner-in-Charge, participated in this examination.

Respectfully submitted,



Larry R. Cook, CPCU, CIC, AU, ARe, ARM, AIM,
AMIM, AIAF, AAI, MCM
Acting Examiner-in-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Tracy M. Biehn, MBA, MCM, LPCS
Deputy Commissioner
Market Regulation Division
State of North Carolina