

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of)
Banking and Insurance, State of New Jersey,) CONSENT
with respect to Mercury Indemnity Company) ORDER
of America)

TO: Mercury Indemnity Company of America
19901 Ulmerton Road
Clearwater, FL 33762-2307

This matter, having been opened by the Commissioner of Banking and Insurance (“Commissioner”), of the Department of Banking and Insurance (“Department”), State of New Jersey, upon information that Mercury Indemnity Company of America (“Mercury”), licensed in the State of New Jersey and admitted to transact property and casualty insurance in New Jersey pursuant to N.J.S.A. 17:17-1 et. seq., may have violated provisions of New Jersey insurance law: and

WHEREAS the Department filed a Market Conduct Examination Report (“Report”) containing the results of the examination of private passenger automobile insurance claims adjusting, rating and underwriting practices of Mercury during the period December 1, 2013 to November 30, 2014, performed pursuant to N.J.S.A. 17:23-20 et seq., and

WHEREAS the market conduct examination revealed certain instances where Mercury’s practices did not accord fully with various provisions of New Jersey insurance statutes or regulations. These instances, as fully set forth in the Report, are incorporated herein by reference; and

IT FURTHER APPEARING that, as a result of the Department's examination, Mercury has taken or will take corrective measures pursuant to the recommendations contained in the Report to address the instances of nonconformance set forth in the Report, and

IT FURTHER APPEARING that this matter can be resolved upon the consent of the parties to these proceedings without resort to a formal hearing,

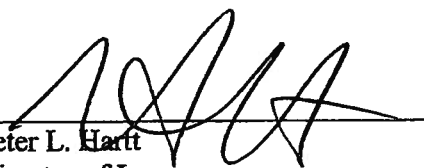
NOW, THEREFORE, IT IS on the 14th day of OCTOBER, 2015

ORDERED AND AGREED that the attached Market Conduct Examination Report of Mercury will be adopted and filed as an official record of the Department; and

IT IS FURTHER ORDERED AND AGREED that Mercury will continue to monitor claim operations in order to identify instances of nonconformance with New Jersey insurance statutes and regulations and the recommendations contained in the Report; and

IT IS FURTHER ORDERED AND AGREED that Mercury shall comply with New Jersey insurance statutes and regulations and the recommendations contained in the attached Report; and

IT IS FURTHER ORDERED AND AGREED that pursuant to N.J.S.A. 17:23-24 d (1), within thirty days of the adoption of this Report, Mercury shall file an affidavit with the Department's Market Conduct Unit, stating under oath that its directors have received a copy of the adopted Report.


Peter L. Hart
Director of Insurance

Consented to as to form, content and entry
Mercury Indemnity Company of America

By: 

Date: 10/7/15

TARGETED

**MARKET CONDUCT EXAMINATION
(Exam Tracking Number NJ090-M19)**

of the

**MERCURY INDEMNITY COMPANY OF AMERICA
(NAIC Company Number 11201; Group Number 660)**

**Local Office at
200 Somerset Corporate Blvd, Bridgewater, NJ 08807**

**Home Office At
19901 Ulmerton Road, Clearwater, FL 33762-2307**

as of

May 13, 2015

BY EXAMINERS

of the

STATE OF NEW JERSEY

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF CONSUMER PROTECTION SERVICES

MARKET CONDUCT EXAMINATIONS and ANTI-FRAUD COMPLIANCE

REPORT ADOPTED: OCTOBER 16, 2015

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I. INTRODUCTION

This is a report of the Market Conduct activities of the Mercury Indemnity Company of America (hereinafter referred to as “Mercury”, “MICA” or “the Company”). In this report, examiners of the New Jersey Department of Banking and Insurance (“NJDOBI”) present their findings, conclusions and recommendations as a result of their examination.

A. SCOPE OF EXAMINATION

The scope of the examination included private passenger automobile insurance sold by the Company in New Jersey. The examiners evaluated the Company’s compliance with statutes and regulations applicable to first and third party automobile claims. Unless otherwise indicated, the review period for the examination was December 1, 2013 to November 30, 2014.

The examiners conducted their fieldwork at Mercury’s office in Bridgewater, New Jersey, between March 2, 2015 and May 1, 2015. On various dates following the fieldwork, the examiners completed additional review work and report writing in Trenton, N.J. The Market Conduct Examiners were Examiner-in-Charge Ralph J. Boeckman and Erin Porter. Monica Koch performed as team supervisor.

The examiners randomly selected files and records from computer listings and documents provided by the Company. The random selection process is in accordance with the National Association of Insurance Commissioner’s (“NAIC”) Market Regulation Handbook. The examiners used the NAIC Market Regulation Handbook, Chapters Sixteen (General Examination Standards) and Seventeen (Conducting the Property and Casualty Examination) as a guide to examine the Company and write this report.

B. ERROR RATIOS

Error ratios are the percentage of files reviewed which an insurer handles in error. A file is counted as an error when it is mishandled or the insured is treated unfairly, even if no statute or regulation is applicable. If a file contains multiple errors, the examiners will count the file only once in calculating error ratios. However, any file that contains more than one error will be cited more than once in the report. In the event that the insurer corrects an error as a result of a consumer complaint or due to the examiners’ findings, the error will be included in the error ratio. If the insurer corrects an error independent of a complaint or NJDOBI intervention, the error is not included in the error ratios.

There may be errors cited in this report that define practices as specific acts that an insurer commits so frequently that they constitute an improper general business practice. Whenever the examiners find that the errors cited

constitute an improper general business practice, they have stated this in the report.

The examiners sometimes find improper general business practices or Company errors that may be technical in nature or which did not have an impact on a consumer. Even though such errors or practices would not be in compliance with law, the examiners do not count these files as errors in determining error ratios. Whenever such business practices or errors do have an impact on the consumer, each of the files in error will be counted in the error ratio. The examiners indicate in the report whenever they did not count particular files in the error ratio.

The examiners submitted written inquiries to Company representatives on the errors cited in this report. These inquiries provided MICA the opportunity to respond to the examiners' findings and to provide exceptions to the statutory and/or regulatory errors or mishandlings reported herein. In response to these inquiries, MICA agreed with some of the errors cited in this report. On those errors with which the Company disagreed, the examiners evaluated the individual merits of each response and gave due consideration to all comments. In some instances, the examiners did not cite the files due to the Company's explanatory responses. In others, the errors remained as cited in the examiners' inquiries. For the most part, this is a report by exception.

C. COMPANY PROFILE

MICA is wholly-owned by Mercury General Corporation, an insurance holding company founded in 1962 and domiciled in California. MICA was incorporated and licensed in Florida in 2001 under the name Mercury Indemnity Company of Florida, and changed to its current name in 2003.

MICA was admitted into New Jersey in August 2003. Claims, underwriting and billing operations were originally transacted in Clearwater, Florida. MICA established a local claims office in Bridgewater, New Jersey in June 2006. Underwriting operations were transferred from Clearwater, Florida to Latham, New York in June 2005, from Latham, New York to Bridgewater, New Jersey in August 2007, and from Bridgewater, New Jersey to Clearwater, Florida in April 2013. Mercury Indemnity Company of America is authorized to sell private passenger automobile and homeowners insurance in New Jersey and Florida.

D. EXECUTIVE SYMMARY

This examination included a review of the Company's claim settlement, rating and underwriting practices. The examiners reviewed a total of 140 paid claims, 60 denied claims, 25 total losses and 100 rating and underwriting files.

The overall paid and denied claim error ratio was 11%. While the examiners did not report any improper general business practices, they did find a series of discreet errors including, but not limited to, delayed settlement of Personal Injury Protection (“PIP”) claims, failure to pay interest on delayed PIP settlements, delayed physical and property damage claims, failure to notify claimant of settlement delays, failure to retain copies of mandatory Right of Recourse disclosures and failure to provide timely notice of storage payment cutoff dates.

The overall rating and underwriting error ratio was 0%. As such, no errors occurred on the files randomly selected for review.

Detailed descriptions of all findings appear in the sections that follow.

II. CLAIMS REVIEW

A. INTRODUCTION

This review covers paid and denied (PIP), collision, comprehensive and property damage claims submitted under private passenger automobile insurance. Any such New Jersey claim closed between December 1, 2013 and November 30, 2014 was subject to review through a random file selection process. During the review period, MICA closed a total of 7,618 claims as follows: 2,774 PIP claims, 284 comprehensive claims, 2,258 collision claims and 2,302 property damage claims. Of these, the examiners randomly selected and reviewed 50 paid and 30 denied PIP claims, 90 paid and 30 denied first and third party partial loss automobile claims, 25 first and third party total loss claims (from a population of 344 total losses), for an overall random sample review of 225 claims. Unless otherwise indicated, the examiners randomly selected and reviewed one bill/claim line from each of the randomly selected paid and denied PIP claims.

In reviewing each claim, the examiners checked for compliance with all applicable statutes and regulations that govern timeliness requirements in settling first and third party claims. The examiners conducted specific reviews placing particular emphasis on N.J.S.A. 17:29B-4(9) and N.J.A.C. 11:2-17 (Unfair Claims Settlement Practices), N.J.A.C. 11:3-10 (Auto Physical Damage Claims), N.J.A.C. 11:16-2.4(a)2 (NICB reporting requirements). These requirements relate to Chapter Sixteen (General Exam Standards) and Chapter Seventeen (Property and Casualty Insurance Examinations) as outlined in the NAIC Market Regulation Handbook.

B. ERROR RATIOS

The examiners calculated the following error ratios by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately based on the review samples as indicated in the following chart.

ERROR RATIO CHART

Auto Claims

| | <u>Files Reviewed</u> | <u>Files in Error</u> | <u>Error Ratio</u> |
|--------------------|-----------------------|-----------------------|--------------------|
| Paid Claims | | | |
| PIP | 50 | 4 | 8% |
| Collision | 40 | 3 | 8% |
| Comprehensive | 20 | 1 | 5% |
| Property Damage | <u>30</u> | <u>0</u> | 0% |
| Subtotal | 140 | 8 | 6% |

| | | | |
|----------------------|-----------|-----------|-----|
| Denied Claims | | | |
| PIP | 30 | 2 | 7% |
| Collision | 10 | 0 | 0% |
| Comprehensive | 5 | 0 | 0% |
| Property Damage | <u>15</u> | <u>3</u> | 20% |
| Subtotal | 60 | 5 | 8% |
| Total Loss Review | <u>25</u> | <u>12</u> | 48% |
| Review Totals | 225 | 25 | 11% |

C. PERSONAL INJURY PROTECTION CLAIMS REVIEW

1. Failure to Settle PIP Claims Timely and Failure to Secure 45-Day Settlement Extension – 6 Files in Error (4 Paid Claims and 2 Denied Claims)

N.J.S.A. 39:6A-5(g) states that a claim "... shall be overdue if not paid within 60 days after the insurer is furnished written notice of the fact of a covered loss..." N.J.A.C. 11:2-17.7(b) states that "The maximum period for all personal injury protection (PIP) claims shall be 60 calendar days after the insurer is furnished written notice of the fact of a covered loss...; provided however, that an insurer may secure a 45-day extension in accordance with N.J.S.A. 39:6A-5." Where such an extension is requested, the maximum settlement period may not exceed 105 days.

The examiners reviewed 50 paid and 30 denied randomly selected closed PIP claims and found that, contrary to the statute and regulation cited above, Mercury failed to settle four paid claims and two denied claims within the maximum 60 calendar day time frame. Additionally, Mercury failed to issue delay notices that would have provided an additional period of 45 days to settle these claims. Delays ranged from a low of 30 days beyond 60 days to a high of 154 days beyond 60, with an average delay of 107 days. The Company agreed with these errors.

Please See Appendix A1 for a list of Files in Error

2. Failure to Pay Interest on Delayed PIP Payments - 3 Files in Error

N.J.S.A. 39:6A-5(h) requires the payment of interest on all overdue benefits. Contrary to this requirement, Mercury failed to pay interest on three bills cited in the previous section. Principal subject to interest ranged from a low of \$61.46 to a high of \$384.65. The Company agreed with these errors.

Please See Appendix A2 for a list of Files in Error

D. PRIVATE PASSENGER PHYSICAL AND PROPERTY DAMAGE CLAIMS REVIEW

3. Failure to Retain Notice of Right of Recourse in Claim File – 9 Files in Error

N.J.A.C. 11:3-10.4(c) requires insurers to provide first and third party claimants with a written notice of the Right of Recourse at the time a total loss settlement draft is issued, and to retain a copy of the notice in the claim file.

The examiners reviewed 25 collision, comprehensive and property damage total loss claims and found that while Mercury issued the required Right of Recourse notice, it failed to retain a copy of the notice in nine total loss claim files (seven collision, two property damage). The company agreed with this error.

Please See Appendix A3 for a list of Files in Error

4. Settlement Delays and Failure to Issue Delay Notices – 6 Files in Error

N.J.A.C. 11:3-10.5(a) and **N.J.A.C. 11:2-17.7(c)** state that unless clear justification exists, the maximum payment period for physical damage claims shall be 30 calendar days and 45 calendar days for property damage claims, respectively. **N.J.A.C. 11:3-10.5(a)** states that a payment period for physical damage claims is the period between the date of receipt of notice of loss by the insurer, and either the date the settlement check is mailed or the date on which the damaged vehicle is returned to use in cases where the insurer elects to have repairs made to the insured vehicle; or the date on which the damaged vehicle is replaced by the insurer. **N.J.A.C. 11:3-10.5(b)** and **N.J.A.C. 11:2-17.7(e)** state that, if the insurer is unable to settle the claim within the time periods specified, the insurer must send the claimant written notice by the end of the payment periods. This notice must specify the reason for the delay. **N.J.A.C. 11:3-10.5(b)** and **N.J.A.C. 11:2-17.7(e)** also require an insurer to send an updated written notice of delay thereafter, every 30 and 45 days, respectively, until all elements of the claim are paid or denied. Some claims cited in this section contained multiple errors and appear in more than one appendix related to this section. However, each claim was counted only once in determining error ratios.

a. Settlement Delay Errors - 6 Files in Error

The examiners reviewed 90 paid and 30 denied physical and property damage claims. On those claims where the insured or claimant was not the cause of the delay, the examiners found that the Company failed to settle four first party claims (three paid collision and one paid comprehensive) within 30 days. Mercury also failed to settle two denied

property damage claims within 45 days. The Company agreed with these errors.

Please See Appendix A4a for a list of Files in Error

b. **Failure to Send Written Notice of Delay - 6 Files in Error**

As indicated above, **N.J.A.C. 11:3-10.5(b)** and **N.J.A.C. 11:2-17.7(e)** require an insurer to issue a delay letter to the insured or third party claimant if the insurer is unable to settle the claim within the specified maximum settlement time periods. Contrary to the regulations, Mercury failed to send delay notices on all six claims from the previous section (three paid collision, one paid comprehensive and two denied property damage). The Company agreed with these errors.

Please See Appendix A4b for a list of Files in Error

5. **Failure to Provide Three Days Advance Notice of Storage Charge Termination – 3 Files in Error**

N.J.A.C. 11:2-17.10(a)9 requires an insurer to provide notice to a claimant three working days prior to the termination of payment for storage charges and place a copy of such notice in the claim file. On three total loss claims, the examiners found that Mercury did send the required letter advising that storage charges were being terminated; however, the Company did not provide the required three working days' notice prior to termination. Whereas two of the letters were dated three days prior to the cutoff of storage charges, Mercury failed to consider mailing time and therefore did not provide the required three days notice. In one instance, the letter was dated February 10, 2014 with a storage cutoff date of February 10, 2014. In each instance, the examiners observed that Mercury paid the storage charges and did not penalize the vehicle owners.

Please See Appendix A5 for a list of Files in Error

6. **Failure to Confirm Claim Denial in Writing – 1 File in Error**

In accordance with **N.J.A.C. 11:2-17.8(b)**, any denials or offers of compromise shall be confirmed in writing and be kept in the appropriate claim file. The examiners found that Mercury failed to send a claim denial letter on one property damage claim. The Company agreed with this error.

Please See Appendix A6 for a list of Files in Error

7. **Failure to Issue Payment within 10 Working Days of Agreed Settlement – 1 File in Error**

N.J.A.C. 11:2-17.7(f) states that an insurer shall pay an amount agreed upon in settlement of a claim no later than 10 working days from receipt of agreement or the date of the performance by the claimant of any conditions set by such agreement, whichever is later. On one collision claim, Mercury failed to issue payment within 10 working days of receiving all necessary documentation required to settle the claim. The Company agreed with this finding in response to the examiners' inquiries.

Please See Appendix A7 for a list of Files in Error

E. MISCELLANEOUS ERRORS

8. Failure to Properly Explain Mitigation of Damages During the Coverage Investigation Process and Inappropriate Referral to Claimant Carrier

N.J.A.C. 11:2-17.8(i) states that no insurer shall deny payment of a claim when it is reasonably clear that either full or partial benefits are payable. Also, **N.J.A.C. 11:2-17.10(a)1** states that where liability and damages are reasonably clear, insurers shall not recommend that third party claimants make claim under their own policies.

During the review of claim forms, the examiners found that form letter F3C contained the following language: "If this loss involved your vehicle, we will not be responsible for any charges incurred during our coverage investigation. Therefore, we recommend that you make every effort to minimize your expenses. If your vehicle is in a tow yard or body shop, please arrange to have it moved to a "storage free" area." This language is inconsistent with **N.J.A.C. 11:2-17.8(i)** to the extent that these costs are recoverable where liability is reasonable clear.

In addition, Form letter F3A states "Because our coverage investigation may cause a delay in the handling of all claims, we recommend that you report this loss to your carrier" and "As we will not be responsible for any charges incurred during our coverage investigation, we recommend that you make every effort to minimize your expenses. If your vehicle is in a tow yard or body shop, please arrange to have it moved to a "storage free" area."

Both letters indicate that any charges accrued either by the first or third party during the coverage investigation period will not be covered by the insurer. Contrary to the regulations stated above, the wording in the letters suggest that in the event that the company may find that benefits are indeed payable after completing the coverage investigation, any charges that were accrued prior to completing the investigation will not be covered. Inconsistent with **N.J.A.C. 11:2-17.10(a)1**, this letter refers a consumer to his/her first party carrier regardless of fault. In response to the examiner's

inquiry the company indicated that it would revise the letters to avoid the implication that such claims will be denied even when their insured is liable for damages in whole or in part.

III. UNDERWRITING AND RATING

A. INTRODUCTION

The examiners reviewed randomly selected policy files from Mercury's database run of 26,224 renewals and 6,955 new business policies that were in force during the review period December 1, 2013 to November 30, 2014. The examiners checked for compliance with specific statutes and regulations, including N.J.S.A. 17:29 A-6 and 15 (filed and approved rating methodologies), N.J.S.A. 17:29A-38 (reduction of rates for operators 65 years or older), N.J.S.A. 17:29A-46 (uniform application of underwriting guidelines), N.J.A.C. 11:3-15 (coverage selection forms), N.J.A.C. 11:3-8.12 (Acceptance Criteria), N.J.S.A. 39:6A-4.1 and N.J.A.C. 11:3-21 (PIP rate discounts). These requirements are related to NAIC Standards outlined in Chapter Seventeen, "Conducting Property and Casualty Insurance Examinations" of the NAIC Market Regulation Handbook.

B. ERROR RATIOS

The examiners calculated error ratios for each random sample by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately for the review samples as indicated in the chart that follows.

| <u>Random Sample</u> | <u>Files Reviewed</u> | <u>Files in Error</u> | <u>Error Ratio</u> |
|----------------------|-----------------------|-----------------------|--------------------|
| New Business | 50 | 0 | 0% |
| Renewals | 50 | 0 | 0% |
| Random Review Total | 100 | 0 | 0% |

C. EXAMINERS' FINDINGS

The examiners reviewed 50 New Business policies and 50 Renewal policies and found no files that were processed contrary to the statutes and regulations listed above.

IV. RECOMMENDATIONS

Mercury should inform all responsible personnel and third party entities who handle the files and records cited as errors in this report of the remedial measures that follow. The examiners also recommend that Mercury establish procedures to monitor compliance with these measures.

Throughout this report, the examiners cite and/or discuss all errors found. If the report cites a single error, the examiners often include a "reminder" recommendation because if a single error is found, additional errors may have occurred.

Non-compliant activity was identified in this report which may extend to other jurisdictions. The Company should take immediate corrective action to demonstrate its ability and intention to conduct business according to New Jersey law and regulations. When applicable, corrective action for other jurisdictions should be addressed.

The examiners acknowledge that during the examination Mercury agreed and already complied with, either in whole or in part, some of the recommendations. For the purpose of obtaining proof of compliance and for the Company to provide its personnel with a document they can use for future reference, the examiners have listed all recommendations below.

A. GENERAL INSTRUCTIONS

All items requested for the Commissioner and copies of all written instructions, procedures, recommended forms, etc., should be sent to the Commissioner, c/o Clifton J. Day, Chief of Market Regulation, Mary Roebeling Building, 20 West State Street, PO Box 329, Trenton, N.J. 08625, within thirty (30) days of the date of the adopted report.

On all policies to be reopened for additional claim payments, Mercury should provide the insured with a cover letter that contains the following first paragraph (variable language is included in parentheses):

Underpaid PIP Claims

"During a review of your claim by Market Conduct Examiners of the New Jersey Department of Banking and Insurance, they found that we (failed to pay a provider bill on your Personal Injury Protection claim) and/or (failed to pay interest on your Personal Injury Protection claim). Enclosed is our payment in the amount of (insert amount) to correct our error."

B. CLAIMS

1. Mercury must issue written instructions to all appropriate claims personnel stating that, pursuant to N.J.S.A. 39:6A-5 and N.J.A.C. 11:2-17.7(a), all PIP claims must be settled (paid, denied, compromised) within 60 days unless an extension of 45 days is requested in writing, within this 60-day period, for a total period not to exceed 105 days from the notice of loss. Where settlement exceeds these time frames, interest is required pursuant to N.J.S.A. 39:6A-5(h).
2. Mercury must reopen and review the PIP claims listed in Appendix A2 of this report. The Company should calculate and pay the correct interest due for the period of delay as required by N.J.S.A. 39:6A-5(h). A list, including claim numbers, amount of interest paid, interest rate, principal and dates utilized to calculate the actual delayed period, should be provided to the Commissioner to verify compliance with this recommendation. See general instructions for language to be included in the cover letter sent with each interest payment.
3. Mercury should issue a written reminder to all appropriate claims personnel that N.J.A.C. 11:3-10.4(c) requires insurers to retain a copy of any Right of Recourse letter issued to a consumer.
4. Mercury must issue written instructions to all appropriate claims personnel stating that:
 - a. According to N.J.A.C. 11:3-10.5(a) and N.J.A.C. 11:2-17.7(c), unless clear justification exists, the maximum payment period for physical damage claims shall be 30 calendar days and 45 calendar days for property damage claims;
 - b. Pursuant to N.J.A.C. 11:3-10.5(b) and N.J.A.C. 11:2-17.7(c), an insurer must send the insured/claimant a written notice by the end of the appropriate payment periods, if the insurer is unable to settle the claim within the time periods specified in N.J.A.C. 11:3-10.5(a) and N.J.A.C. 11:2-17.7(c). This notice must specify the reason for the delay.
5. Mercury should remind all appropriate claims personnel that:
 - a. In order to comply with N.J.A.C. 11:2-17.10(a)9, storage termination letters must provide three working days' notice prior to termination of storage charges and take into account mailing time.
 - b. Pursuant to N.J.A.C. 11:2-17.8(b), the Company should remind all appropriate personnel that all denials or offers of compromise

shall be confirmed in writing and kept in the appropriate claim file.

- c. Pursuant to **N.J.A.C. 11:2-17.7(f)**, an insurer shall pay an amount agreed upon in settlement of a claim no later than 10 working days from receipt of agreement.
6. Mercury must revise claim form letter F3C to avoid any implication that valid storage costs will never be paid where liability is reasonably clear. In addition, the Company must also revise form letter F3A to assure that no third party claimant is unfairly steered to a first party carrier when liability is reasonably clear. Mercury should provide the revised letters for review by the Commissioner prior to implementation.

APPENDIX A
Private Passenger Automobile Claims Errors

1. Failure to Settle PIP Claims Timely and Failure to Secure 45-Day Settlement Extension – 6 Files in Error (4 Paid Claims and 2 Denied Claims)

| <u>Claim Number</u> | <u>Bill Number</u> | <u>Date Received</u> | <u>Date Bill Paid/Denied</u> | <u>45 Day Ext Sent Y/N</u> | <u>Total Days to Settle Claim</u> | <u>Days over 60</u> |
|---------------------|--------------------|----------------------|------------------------------|----------------------------|-----------------------------------|---------------------|
| NJP113299 | 3415708 | 3/25/14 | 10/6/14 | N | 195 | 135 |
| NJP112691 | 3445480 | 4/22/14 | 7/21/14 | N | 90 | 30 |
| NJP110716 | 3237266-2 | 9/13/13 | 4/15/14 | N | 214 | 154 |
| NJP114385 | 3518837-3 | 7/16/14 | 10/31/14 | N | 107 | 47 |
| NJP111883* | 3312181-1 | 12/4/13 | 6/8/14 | N | 186 | 126 |
| NJP111712* | 3288918 | 10/29/13 | 5/27/14 | N | 210 | 150 |

*Denied PIP

2. Failure to Pay Interest on Delayed PIP Payments - 3 Files in Error

| <u>Claim Number</u> | <u>Bill Number</u> | <u>Date Bill Received</u> | <u>Date Bill Paid</u> | <u>Days in Error</u> | <u>Amount Paid</u> | <u>Interest Owed</u> |
|---------------------|--------------------|---------------------------|-----------------------|----------------------|--------------------|----------------------|
| NJP113299 | 3415708 | 3/25/14 | 10/6/14 | 135 | \$61.46 | \$0.06 |
| NJP112691 | 3445480 | 4/22/14 | 7/21/14 | 30 | \$384.65 | \$0.08 |
| NJP114385 | 3518837-3 | 7/16/14 | 10/31/14 | 47 | \$246.44 | \$0.08 |

3. Failure to Retain Notice of Right of Recourse in Claim File – 9 Files in Error

| <u>Claim Number</u> | <u>Claim Number</u> | <u>Claim Number</u> |
|---------------------|---------------------|---------------------|
| NJP113087 | NJP113134 | NJP112537 |
| NJP112575 | NJP112650 | NJP111939* |
| NJP114533 | NJP115179 | NJP115418* |

*Total Loss Property Damage

4. Settlement Delays and Failure to Issue Delay Notices – 6 Files in Error

a. Settlement Delay Errors – 6 Files in Error

| <u>Claim Number</u> | <u>Policy Coverage</u> | <u>Notice Date</u> | <u>Settlement Date</u> | <u>Days Beyond 30/45</u> | <u>Days to Pay</u> |
|---------------------|------------------------|--------------------|------------------------|--------------------------|--------------------|
| NJP113622 | Collision | 4/1/14 | 6/9/14 | 39 | 69 |
| NJP113853 | Collision | 4/30/14 | 6/3/14 | 4 | 34 |
| NJP113827 | Collision | 4/27/14 | 5/29/14 | 2 | 32 |
| NJP112536 | Comprehensive | 12/12/13 | 1/21/14 | 10 | 40 |
| NJP110827 | Property Damage* | 8/13/13 | 1/17/14 | 112 | 157 |
| NJP112011 | Property Damage* | 10/24/13 | 12/20/13 | 12 | 57 |

*Denied Claim

b. Failure to Send Written Notice of Delay - 6 Files in Error

| <u>Claim Number</u> | <u>Policy Coverage</u> | <u>Notice Date</u> | <u>Settlement Date</u> | <u>Days Beyond 30/45</u> | <u>Days to Pay</u> |
|---------------------|------------------------|--------------------|------------------------|--------------------------|--------------------|
| NJP113622 | Collision | 4/1/14 | 6/9/14 | 39 | 69 |
| NJP113853 | Collision | 4/30/14 | 6/3/14 | 4 | 34 |
| NJP113827 | Collision | 4/27/14 | 5/29/14 | 2 | 32 |
| NJP112536 | Comprehensive | 12/12/13 | 1/21/14 | 10 | 40 |
| NJP110827 | Property Damage* | 8/13/13 | 1/17/14 | 112 | 157 |
| NJP112011 | Property Damage* | 10/24/13 | 12/20/13 | 12 | 57 |

*Denied Claim

5. Failure to Provide Three Days Advance Notice of Storage Charge Termination - 3 Files in Error

| <u>Claim Number</u> | <u>Date of Letter</u> | <u>Date of Storage Cutoff</u> |
|---------------------|-----------------------|-------------------------------|
| NJP113875 | 5/6/14 | 5/9/14 |
| NJP113007 | 2/10/14 | 2/10/14 |
| NJP113508 | 3/25/14 | 3/28/14 |

6. Failure to Confirm Claim Denial in Writing - 1 File in Error

| <u>Claim Number</u> |
|---------------------|
| NJP113926 |

7. Failure to Issue Payment within 10 Working Days of Agreed Settlement - 1 File in Error

| <u>Claim Number</u> | <u>Policy Coverage</u> | <u>Date File Completed</u> | <u>Date of Payment</u> | <u>Working Days Beyond 10</u> |
|---------------------|------------------------|----------------------------|------------------------|-------------------------------|
| NJP113827 | Collision | 4/30/14 | 5/29/14 | 19 |

V. VERIFICATION PAGE

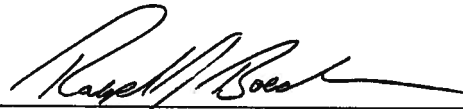
I, Ralph J. Boeckman, am the Examiner-in-Charge of the Market Conduct Examination of Mercury Indemnity Company of America conducted by examiners of the New Jersey Department of Banking and Insurance. This verification is based on my personal knowledge as acquired in my official capacity.

The findings, conclusions and recommendations contained in the foregoing report represent, to the best of my knowledge, a full and true statement of the Market Conduct Examination of Mercury Indemnity Company of America as of May 13, 2015.

I certify that the foregoing statements are true. I am aware that if any of the foregoing statements made by me is willfully false, I am subject to punishment.

6/30/2015

Date



Ralph J. Boeckman
Ralph J. Boeckman
Examiner-In-Charge
New Jersey Department
of Banking and Insurance