

MARKET CONDUCT EXAMINATION REPORT

OF

**PROPERTY & CASUALTY INSURANCE
COMPANY OF HARTFORD**

TRUMBULL INSURANCE COMPANY

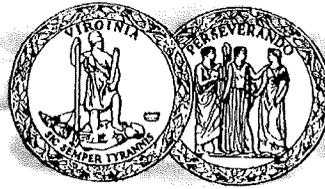
AS OF

DECEMBER 31, 2009

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

**Property and Casualty Division
Market Conduct Section**

COMMONWEALTH OF VIRGINIA



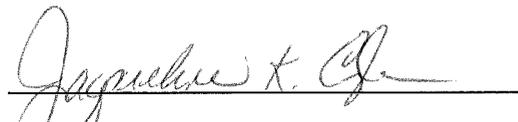
JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Market Conduct Examination Report of Property & Casualty Insurance Company of Hartford and Trumbull Insurance Company as of December 31, 2009, which took place at the company's offices in Atlanta, Georgia is a true copy of the original Report on file with the Bureau and also includes a true copy of the company's final response to the findings set forth therein, and of the Bureau's letter and the Order of the State Corporation Commission finalizing the Report.

IN WITNESS WHEREOF, I have
hereunto set my hand and affixed
the official seal of this the Bureau
at the City of Richmond, Virginia,
this 22nd day of June, 2011.



JACQUELINE K. CUNNINGHAM

Commissioner of Insurance

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**Property and Casualty Division
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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a target examination has been made of the private passenger automobile and homeowner lines of business written by Property and Casualty Insurance Company of Hartford and Trumbull Insurance Company at its office in Farmington, Connecticut.

The examination commenced June 7, 2010 and concluded September 10, 2010. Andrea D. Baytop, Karen S. Gerber, Edwin N. Millan, and Roushawn V. White-Simmons, examiners of the Bureau of Insurance, and Joy M. Morton, Market Conduct Supervisor of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Examination Tracking System on March 25, 2010 and was assigned the examination number of VA199-M18. The examination was conducted in accordance with the procedures established by the National Association of Insurance Commissioners (NAIC).

COMPANY PROFILES

Property and Casualty Insurance Company of Hartford (PCICH) was incorporated under the laws of Indiana on May 4, 1989. The company is licensed in 48 states and the District of Columbia.

Trumbull Insurance Company (TIC) is a continuation of a company incorporated on August 28, 1979 under the laws of Alabama. It began business on January 1, 1980 under the name Hartford Insurance Company of Alabama.

During 1987, the original company was merged into the Hartford Insurance Company of Connecticut, Hartford, Connecticut. The latter company was incorporated on October 10, 1986 solely to effect a change in the state of domicile to Connecticut from Alabama. Effective April 22, 1992, the current title was adopted. Trumbull Insurance Company is licensed in 46 states and the District of Columbia.

All companies are based in Hartford, Connecticut. *

The table below indicates when the companies were licensed in Virginia and the lines of insurance that the companies were licensed to write in Virginia during the examination period. All lines of insurance were authorized on the date the companies were licensed in Virginia except as noted in the table.

GROUP CODE: 0091	PCICH	TIC
NAIC Company Number	34690	27120
LICENSED IN VIRGINIA	12/14/1995	12/14/1995
LINES OF INSURANCE		
Accident and Sickness	X	X
Aircraft Liability	X	X
Aircraft Physical Damage	X	X
Animal	X	X
Automobile Liability	X	X
Automobile Physical Damage	X	X
Boiler and Machinery	X	X
Burglary and Theft	X	X
Commercial Multi-Peril	X	X
Credit		
Farmowners Multi-Peril	X	X
Fidelity	X	X
Fire	X	X
General Liability	X	X
Glass	X	X
Homeowners Multi-Peril	X	X
Inland Marine	X	X
Miscellaneous Property	X	X
Ocean Marine	X	X
Surety	X	X
Water Damage	X	X
Workers' Compensation	X	X

* Source: Best's Insurance Reports, Property & Casualty, 2009 Edition.

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2009 for the lines of insurance included in this examination.* This business was developed on a direct response basis as the "AARP Auto and Homeowners Insurance Program" through employee agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Property & Casualty Ins Co of Hartford		
Homeowners	\$5,653,948	0.36%
Private Automobile Liability	\$9,042,629	0.39%
Private Automobile Physical Damage	\$4,485,627	0.26%
Trumbull Ins Co		
Private Automobile Liability	\$7,047,215	0.30%
Private Automobile Physical Damage	\$3,246,749	0.19%

* Source: The 2009 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

SCOPE OF THE EXAMINATION

The examination included a detailed review of the companies' private passenger automobile and homeowner lines of business written in Virginia for the period beginning January 1, 2009 and ending December 31, 2009. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance*, statutory notices, agent licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance *statutes and regulations and to determine that the companies' operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

This Report is divided into three sections, Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Examiners' Notes. Part One outlines all of the violations of Virginia insurance statutes and regulations that were cited during the examination. In addition, the examiners cited instances where the companies failed to adhere to the provisions of the policies issued on risks located in Virginia. Finally, violations of other related laws that apply to insurers, characterized as "Other Law Violations," are also noted in this section of the Report.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a business practice.

In Part Three, the examiners cite any violations that are not considered a business practice. Also included in this section are recommendations regarding the companies' practices that are not violations of Virginia insurance laws but require some action by the companies. This section does not form the basis of any settlement offer made by the Bureau.

* Policies reviewed under this category reflected the companies' current practices and therefore, fell outside of the exam period.

The examiners may not have discovered every unacceptable or non-compliant activity in which the companies engaged. The failure to identify, comment on, or criticize specific company practices does not constitute an acceptance of the practices by the Bureau.

STATISTICAL SUMMARY

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the companies. The relationship between population and sample is shown on the following page.

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

Population
Sample Requested

AREA	<u>PCICH</u>	<u>TIC</u>	<u>TOTAL</u>	<u>FILES</u> <u>REVIEWED</u>	<u>FILES NOT</u> <u>FOUND</u>	<u>FILES WITH</u> <u>ERRORS</u>	<u>ERROR</u> <u>RATIO</u>
<u>Private Passenger Auto</u>							
New Business ¹	<u>28</u> 5	<u>8662</u> 20	<u>8690</u> 25	24	0	14	58%
Renew al Business ²	<u>13880</u> 20	<u>3846</u> 10	<u>17726</u> 30	27	0	19	70%
Co-Initiated Cancellations ³	<u>47</u> 19	<u>233</u> 21	<u>280</u> 40	25	0	8	32%
All Other Cancellations	<u>934</u> 10	<u>599</u> 10	<u>1533</u> 20	20	0	0	0%
Nonrenew als	<u>24</u> 3	<u>3</u> 3	<u>27</u> 6	6	0	1	17%
Rejected Applications	<u>0</u> 0	<u>45</u> 5	<u>45</u> 5	5	0	0	0%
<u>Homeowner</u>							
New Business	<u>3699</u> 25	<u>0</u> 0	<u>3699</u> 25	25	0	4	16%
Renew al Business	<u>6593</u> 15	<u>0</u> 0	<u>6593</u> 15	15	0	3	20%
Co-Initiated Cancellations ⁴	<u>7</u> 25	<u>0</u> 0	<u>7</u> 25	10	0	1	10%
All Other Cancellations	<u>337</u> 17	<u>0</u> 0	<u>337</u> 17	17	0	1	6%
Nonrenew als	<u>16</u> 2	<u>0</u> 0	<u>16</u> 2	2	0	0	0%
Rejected Applications	<u>1957</u> 5	<u>0</u> 0	<u>1957</u> 5	5	0	1	20%
<u>Claims</u>							
Auto	<u>2303</u> 37	<u>1490</u> 30	<u>3793</u> 67	67	0	39	58%
Property	<u>748</u> 25	<u>0</u> 0	<u>748</u> 25	25	0	11	44%

Footnote ¹ One file submitted in this area was a renew al and was review ed as Renew al business.

Footnote ² Four files were not review ed because they were part of a prior regulatory action with the Bureau.

Footnote ³ Prior to 60 - Requested seven, review ed five. Two of the files were not cancellations. After 59th - Requested 40, review ed 20. 20 were not cancellations after the 59th day.

Footnote ⁴ After 90th day - Requested 20, review ed five. 15 files were not cancellations after the 90th day.

PART ONE - THE EXAMINERS' OBSERVATIONS

This section of the Report includes all of the observations that the examiners provided to the companies. These include all instances where the companies violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the companies violated any other Virginia laws applicable to insurers.

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The Bureau requested 25 new business policy files for review. The examiners reviewed 24 of these files. One file included in the companies' population was a renewal and reviewed under the renewal business category. The examiners found overcharges totaling \$610.00 and undercharges totaling \$231.00 during the review of these files. The net amount that should be refunded to insureds is \$610.00 plus six percent (6%) simple interest.

- (1) The examiners found 14 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by this section.
 - a. In seven instances, the company failed to include accurate information on the declarations page.
 - b. In seven instances, the company listed endorsements on the declarations page that were not applicable to the policy.
- (2) The examiners found one violation of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide a copy of the new business application.

- (3) The examiners found four violations of § 38.2-1905 C of the Code of Virginia. The company failed to apply surcharge points under its Safe Driver Insurance Plan (SDIP) in accordance with its filed rules.
- (4) The examiners found 16 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
- a. In one instance, the company failed to use the correct discount and/or surcharge factors.
 - b. In two instances, the company failed to apply the correct points for accidents and/or convictions.
 - c. In one instance, the company failed to use the correct symbol.
 - d. In seven instances, the company failed to use the correct tier eligibility criteria.
 - e. In two instances, the company failed to use the correct driver classification factor.
 - f. In one instance, the company failed to use the correct base and/or final rates.
 - g. In two instances, the company failed to apply the Policy Expense Fee in accordance with its filed rule.

Automobile Renewal Business Policies

The Bureau requested 30 renewal business policy files for review. The examiners reviewed 27 renewal policy files. Four files had already been cited in a prior regulatory action and were excluded from review. One additional file was moved from the new business category and reviewed under the renewal business category. The examiners found overcharges totaling \$222.00 and undercharges totaling \$542.00

during the review of these files. The net amount that should be refunded to insureds is \$222.00 plus six percent (6%) simple interest.

- (1) The examiners found 11 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by this section.
 - a. In seven instances, the company failed to include accurate information on the declarations page.
 - b. In four instances, the company listed endorsements on the declarations page that were not applicable to the policy.
- (2) The examiners found two violations of § 38.2-1905 C of the Code of Virginia. The company failed to apply surcharge points under its SDIP in accordance with its filed rules.
- (3) The examiners found one violation of § 38.2-1906 A of the Code of Virginia. The company failed to file all rates and supplementary rate information. The company failed to file rules to rate Physical Damage coverage only policies.
- (4) The examiners found 33 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In eight instances, the company failed to use the correct discount and/or surcharge factors.
 - b. In one instance, the company failed to use the correct symbol.
 - c. In five instances, the company failed to use the correct tier eligibility criteria.
 - d. In two instances, the company failed to use the correct driver classification factors.
 - e. In four instances, the company failed to use the correct base and/or final rates.

- f. In one instance, the company failed to follow the filed minimum premium rule.
 - g. In five instances, the company failed to use the filed rounding rule.
 - h. In four instances, the company failed to apply the Policy Expense Fee in accordance with its filed rule.
 - i. In three instances, the company failed to use the correct model year factor.
- (5) The examiners found one violation of § 38.2-2234 B of the Code of Virginia. The company failed to update the insured's credit information at least once every three years.

Homeowners New Business Policies

The Bureau requested 25 new business policy files for review. The examiners reviewed all of these files. The examiners found no overcharges and undercharges totaling \$128.00 during the review of these files.

The examiners found six violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rates and/or rules on file with the Bureau.

- a. In two instances, the company failed to use the correct discount and/or surcharge factors.
- b. In one instance, the company failed to use the correct tier eligibility criteria.
- c. In one instance, the company failed to use the correct base and/or final rates.
- d. In one instance, the company failed to use the correct construction type.
- e. In one instance, the company failed to follow the Secondary Residence Premises rule.

Homeowners Renewal Business Policies

The Bureau requested 15 renewal business policy files for review. The examiners reviewed all of these files. The examiners found overcharges totaling \$88.00 and undercharges totaling \$195.00 during the review of these files. The net amount that should be refunded to insureds is \$88.00 plus six percent (6%) simple interest.

The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In two instances, the company failed to use the correct discount and/or surcharge factors.
- b. In one instance, the company failed to use the correct territory.

TERMINATION REVIEW

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

Company-Initiated Cancellations – Automobile Policies**NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE**

The Bureau requested seven automobile cancellations that were initiated by the companies where the companies mailed the notices prior to the 60th day of coverage in the initial policy period. The examiners reviewed five of these files. One file was not a cancellation and one file was a re-written policy. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found no violations in this area.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The Bureau requested 40 automobile cancellations that were initiated by the companies where the companies mailed the notices on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. The examiners reviewed 20 of these files. Twenty files in the companies' data population for this category were expirations, rewritten policies; policies cancelled at the insured's request or cancellations for non-payment of premium and therefore were not reviewed. The examiners found overcharges totaling \$14.00 and undercharges totaling \$8.00 during the review of these files. The net amount that should be refunded to insureds is \$14.00 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (2) The examiners found one violation of § 38.2-2208 B of the Code of Virginia. The company failed to provide proper notice of cancellation to the lienholder.
- (3) The examiners found three violations of § 38.2-2212 D of the Code of Virginia.
 - a. In two instances, the company cancelled the policy because of a revocation or suspension of a driver's license that did not occur during the period of time permitted by the Code of Virginia.
 - b. In one instance, the company cancelled the policy for a reason not permitted by the Code of Virginia.
- (4) The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to send the insured written notice of cancellation.

Other Law Violations

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of another Virginia law.

The examiners found three violations of § 46.2-482 of the Code of Virginia. The company failed to file an SR-26 within 15 days of canceling the policy as required by the Virginia Motor Vehicle Code.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The Bureau requested ten automobile cancellations that were initiated by the companies for nonpayment of the policy premium. The examiners reviewed all of these files. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found no violations in this area.

REQUESTED BY THE INSURED

The Bureau requested ten automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. The examiners reviewed all of these files. The examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

Company-Initiated Non-renewals – Automobile Policies

The Bureau requested six automobile nonrenewals that were initiated by the companies. The examiners reviewed all of these files.

The examiners found one violation of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide evidence of the insured's license suspension.

Rejected Applications - Automobile

The Bureau requested five automobile insurance applications for which the company declined to issue a policy. The examiners reviewed all of these files.

The examiners found no violations in this area.

Homeowners Policies

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

Company-Initiated Cancellations – Homeowners PoliciesNOTICE MAILED PRIOR TO THE 90TH DAY OF COVERAGE

The Bureau requested five homeowner cancellations that were initiated by the company where the company mailed the notices prior to the 90th day of coverage in the initial policy period. The examiners reviewed all of these files. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found one occurrence where the company failed to comply with the provisions of the insurance contract. The company failed to send the insured written notice of cancellation.

NOTICE MAILED AFTER THE 89TH DAY OF COVERAGE

The Bureau requested 20 homeowner cancellations that were initiated by the company where the company mailed the notices on or after the 90th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. The examiners reviewed five of these files. Fifteen files in the company's data population

for this category were rewritten policies and therefore not reviewed. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found no violations in this area.

All Other Cancellations – Homeowners Policies

NONPAYMENT OF THE PREMIUM

The Bureau requested seven homeowner cancellations that were initiated by the company for nonpayment of the policy premium. The examiners reviewed all of these files. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found no violations in this area.

REQUESTED BY THE INSURED

The Bureau requested ten cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. The examiners reviewed all of these files. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found one occurrence where the company failed to comply with the provisions of the insurance contract. The company failed to obtain a written request from the insured.

Company-Initiated Non-renewals – Homeowners Policies

The Bureau requested two homeowner nonrenewals that were initiated by the company. The examiners reviewed both of these files.

The examiners found no violations in this area.

Rejected Applications – Homeowners Policies

The Bureau requested five homeowner applications for which the company declined to issue a policy. The examiners reviewed all of these files.

The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written notice of an AUD.

CLAIMS REVIEW**Private Passenger Automobile Claims**

The examiners reviewed 67 automobile claims for the period of January 1, 2009 through December 31, 2009. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. The examiners found overpayments totaling \$80.00 and underpayments totaling \$1,291.91 during the review of these files. The net amount that should be paid to claimants is \$1,269.91 plus six percent (6%) simple interest.

- (1) The examiners found seven violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found eight violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance contract that were pertinent to the claim.

- a. In two instances, the company failed to accurately inform an insured of his Medical Expense Benefits coverage when the file indicated the coverage was applicable to the loss.
- b. In two instances, the company failed to accurately inform an insured of his Transportation Expense coverage when the file indicated the coverage was applicable to the loss.
- c. In four instances, the company failed to inform an insured of the benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM).

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found five violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within 10 working days to pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.

These findings occurred with such frequency as to indicate a general business practice.

- (4) The examiners found five violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.

These findings occurred with such frequency as to indicate a general business practice.

- (5) The examiners found 20 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim, or failed to pay a claim in accordance with the insured's policy provisions.
- a. In one instance, the company failed to pay the insured's UMPD claim properly when collision and/or UMPD coverages applied to the claim.
 - b. In four instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Uninsured Motorist coverage.
 - c. In 14 instances, the company failed to pay the proper sales and use tax, title fee, and license fee on first party total loss settlements.
 - d. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expense coverage.

These findings occurred with such frequency as to indicate a general business practice.

- (6) The examiners found six violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- a. In five instances, the company failed to provide a copy of the repair estimate to the insured.
 - b. In one instance, the company failed to provide a copy of the repair estimate to the claimant.

These findings occurred with such frequency as to indicate a general business practice.

- (7) The examiners found two violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue. The company failed to properly convey to the insured the company's obligation concerning payment of the insured's Medical Expense Benefits claim.
- (8) The examiners found eight violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.
- These findings occurred with such frequency as to indicate a general business practice.
- (9) The examiners found eight occurrences where the company failed to comply with the provisions of the insurance contract.
- a. In four instances, the company failed to include the lienholder on the check.
 - b. In four instances, the company paid the insured more than the insured was entitled to receive under the terms of his policy.

Other Law Violations

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of another Virginia law.

The examiners found 15 violations of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim forms required by the company as a condition of payment.

Homeowners Claims

The examiners reviewed 23 homeowner claims for the period of January 1, 2009 through December 31, 2009. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. The examiners found no overpayments and no underpayments during the review of these files.

- (1) The examiners found one violation of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for its denial in the written denial of the claim.
- (2) The examiners found 11 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or policy provisions relating to coverages at issue. The company gave the insured 180 days from the last actual cash payment rather than six months from the last actual cash payment to assert a claim for replacement cost on the damaged property.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found one violation of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured that was not accompanied by a statement setting forth the correct coverage(s) under which the payment was made.

REVIEW OF FORMS

The examiners reviewed the companies' policy forms and endorsements used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the companies. In addition, the Bureau requested copies of new and renewal business policy mailings that the companies were processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance Process section of the Report. The examiners then reviewed the forms used on these policies to verify the companies' current practices.

Automobile Policy Forms**POLICY FORMS USED DURING THE EXAMINATION PERIOD**

The companies provided copies of 107 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found one violation of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one filed and approved by the Bureau.
- (2) The examiners found one violation of § 38.2-2220 of the Code of Virginia. The company used policy form PP 02 02 08 86, Reinstatement of Insurance endorsement, which was not in the precise language of the standard form filed and adopted by the Bureau.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

Homeowners Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 57 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found one violation of § 38.2-317 A of the Code of Virginia. The company used policy form HO 01 45 04 99, Special Provisions Endorsement, which had not been filed with the Bureau at least 30 days prior to use.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

REVIEW OF THE POLICY ISSUANCE PROCESS

To obtain sample policies to review the companies' policy issuance process for the lines examined, the examiners requested new and renewal business policy mailings that were sent to the insured after the companies received the Examination Data Call. The companies were instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the companies enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

Automobile Policies

The companies provided five new business policies mailed on January 1, 29, February 10, 17, and March 2, 2010. In addition, the companies provided ten renewal business policies mailed on November 12, 13, 25, December 1, 2, 8, 28, and 31, 2009.

NEW BUSINESS POLICIES

The examiners found five violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance contract or policy all of the conditions pertaining to the insurance by failing to list all applicable forms on the declarations page.

RENEWAL BUSINESS POLICIES

The examiners found ten violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance contract or policy all of the conditions pertaining to the insurance by failing to list all applicable forms on the declarations page.

Homeowners Policies

The company provided five new business policies mailed on January 20, February 4, 11, 16, 25 and March 25, 2010. In addition, the company provided five renewal business policies mailed on January 16, 20, February 16 and March 10, 2010.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

REVIEW OF STATUTORY NOTICES

To obtain sample policies to review the content of the statutory notices that the companies are required to provide to insureds and used by the companies for the lines examined, the examiners used the same new business policy and renewal business policy mailings that were previously described. The details of these policies have been set forth previously under the Review of the Policy Issuance Process section of the Report. The examiners verified that the notices used by the companies on all

applications, on all policies, and those special notices used for vehicle and property policies issued on risks located in Virginia complied with the Code of Virginia.

General Statutory Notices

The examiners found four violations of § 38.2-610 A of the Code of Virginia. The companies failed to have an AUD notice containing substantially similar language as that of the prototype set forth in Administrative Letter 1981-16.

Statutory Vehicle Notices

The examiners found two violations of § 38.2-1905 A of the Code of Virginia. The company failed to have available a point surcharge notice that informs the insured of points that could be charged as a result of a motor vehicle accident.

Statutory Property Notices

The examiners found one violation of § 38.2-2118 of the Code of Virginia. The company failed to include the required notice summarizing the replacement cost provisions for owner-occupied dwellings.

Other Notices

The companies provided copies of five other notices that were used during the examination period.

The examiners found no violations in this area.

LICENSING AND APPOINTMENT REVIEW

A review was made of new business automobile and homeowner policies to verify that the agent of record, for those policies, was licensed and appointed to write business for the companies as required by Virginia insurance statutes. In addition, the agent that issued these new business policies was checked to verify that the agent held a valid Virginia license and was appointed by the company.

Agent

The examiners found one violation of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of the application.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

A review was made of the companies' complaint-handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found no violations in this area.

Review of Privacy and Information Security Procedures

The Bureau requested a copy of the companies' information security procedures used to protect the privacy of policyholder information as required by § 38.2-613.2 of the Code of Virginia.

The company provided its information security procedures.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. Unless otherwise noted, a ten percent (10%) error criterion was applied to all operations of the companies, with the exception of claims handling. The threshold applied to claims handling was seven percent (7%). Any error ratio above these thresholds indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

Property and Casualty Insurance Company of Hartford, and Trumbull Insurance Company shall:

Provide a Corrective Action Plan (CAP) with their response to this report.

Rating and Underwriting Review

Property and Casualty Insurance Company of Hartford, and Trumbull Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' account.
- (3) Complete and submit to the Bureau, the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the

companies acknowledge that they have refunded or credited the overcharges listed in the file.

- (4) Specify the required information in the policy and/or the declarations page.
- (5) Assign at-fault accidents and moving conviction surcharges applied under a Safe Driver Insurance Plan (SDIP) to the vehicle customarily operated by the at-fault driver.
- (6) Use rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, assignment of points under a SDIP, driver classification factors, policy expense fee rules, rounding rules, tier eligibility, and correct base and/or final rates.
- (7) Trumbull Insurance Company will complete an audit of policies written between calendar years 2008 to 2010 and determine if the moving violations and/or at-fault accident(s) were applied appropriately. The company should report its findings to the Bureau. When applicable, the company should make restitution to any insureds that were overcharged.

Termination Review

Property and Casualty Insurance Company of Hartford, and Trumbull Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' account.
- (3) Complete and submit to the Bureau, the enclosed file titled "Termination Overcharges Cited during the Examination." By returning the completed file to

the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.

- (4) Calculate earned premium according to its filed rules and policy provisions.
- (5) Provide a written AUD notice to insureds.
- (6) Obtain and retain valid proof of mailing cancellation notices to the lienholder.
- (7) Cancel private passenger automobile policies only for those reasons permitted by § 38.2-2212 of the Code of Virginia when the notice is mailed after the 60th day of coverage.
- (8) Provide the insured the right to review by the Commissioner as required by § 38.2-2212 and § 38.2-2114 of the Code of Virginia.
- (9) Advise the insured of the availability of other coverage through the Virginia Property Insurance Association when canceling a policy on an owner-occupied dwelling.

Claims Review

Property and Casualty Insurance Company of Hartford, and Trumbull Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau, the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have paid the underpayments listed in the file.
- (4) Properly document claim files so that all events and dates pertinent to the claim

can be reconstructed.

- (5) Document the claim file that all applicable coverages have been discussed with the insured.
- (6) Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within 10 business days.
- (7) Make all claim denials in writing and keep a copy in the claim file.
- (8) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.
- (9) Provide copies of repair estimates prepared by or on behalf of the companies to insureds.
- (10) Properly represent pertinent facts or insurance policy provisions relating to the coverage at issue.
- (11) Include a correct statement of coverage under which payments are made with all claim payments to insureds.

Forms Review

Property and Casualty Insurance Company of Hartford, and Trumbull Insurance Company shall:

- (1) Use the precise language of automobile forms as filed and approved by the Bureau.
- (2) File all homeowner forms with the Bureau at least 30 days prior to use in Virginia.
- (3) Use the rate classification statement filed and approved by the Bureau.

Review of Policy Issuance Process

Property and Casualty Insurance Company of Hartford, and Trumbull Insurance Company shall:

Specify the required information in the policy by listing all applicable forms on the declaration page with all new and renewal policies.

Review of Statutory Notices

Property and Casualty Insurance Company of Hartford, and Trumbull Insurance Company shall:

- (1) Develop the AUD notice that complies with § 38.2-610 A of the Code of Virginia.
- (2) Amend the Accident Point Surcharge notice to comply with § 38.2-1905 A of the Code of Virginia.

Licensing and Appointment Review

Property and Casualty Insurance Company of Hartford, and Trumbull Insurance Company shall:

Appoint agents within 30 days of the date of application.

PART THREE – EXAMINERS’ NOTES

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies should carefully scrutinize these errors and correct the causes before these errors become business practices. The following errors will not be included in the settlement offer:

Rating and Underwriting

- Failure to file all rates and supplementary rates.
- Failure to update the insureds’ credit information every three years.
- Failure to provide a new business application.

Termination

- Failure to comply with the provisions of the insurance contract.

Claims

- Failure to comply with the provisions of the insurance contract.

RECOMMENDATIONS

We recommend that the companies take the following actions:

Rating and Underwriting

- Trumbull Insurance Company should file revisions to its manual clarifying its Standard Deviation rule.
- Trumbull Insurance Company should remove duplicate Annual Mileage Secondary Classification pages.
- Trumbull Insurance Company should clarify the application of the SDIP surcharges when the insured has more than one at-fault accident or moving conviction.
- Trumbull Insurance Company should delete the note stating all SDIP surcharges should be applied to excess vehicles.

- Trumbull Insurance Company should clarify Tier Guidelines when surcharging not-at-fault losses.
- Trumbull Insurance Company should clarify that the limits of the current policy should be used to determine the appropriate BI Coverage Package factor.
- Trumbull Insurance Company should clarify the Non-Standard Plan rules regarding No Prior Insurance.
- The companies should add Loss of Income and Medical Expense coverage to the policy only if the insured selects the coverage(s).

Termination

- The companies should file an SR-26 within 15 days after canceling the policy as required by the Virginia Motor Vehicle Code.

Claims

- The companies should use the term "Other Than Collision" coverage instead of the term "Comprehensive."
- The companies should use the term "Medical Expense Benefits" coverage instead of the term "Medical Payments."
- The companies should use the term "Transportation Expense" coverage instead of the term "Rental Reimbursement."
- The companies should use the term "Towing and Labor" coverage instead of the term "Roadside Assistance."
- The companies should correctly disclose the "Virginia" fraud warning on applicable claim communications.

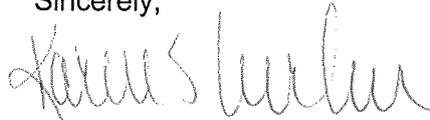
SUMMARY OF PREVIOUS EXAMINATION FINDINGS

This is the first time the Virginia Bureau of Insurance has conducted an examination of these companies.

ACKNOWLEDGEMENT

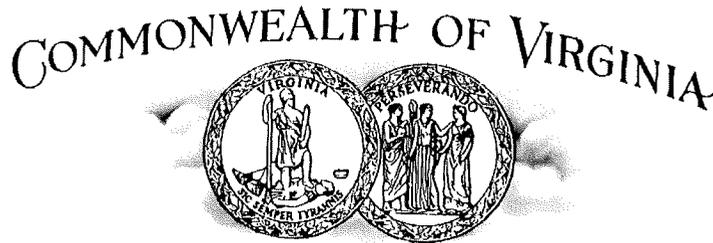
The courteous cooperation extended by the officers and employees of the companies during the course of the examination is gratefully acknowledged.

Sincerely,

A handwritten signature in cursive script, appearing to read "Karen S. Gerber".

Karen S. Gerber
Senior Insurance Market Examiner

ALFRED W. GROSS
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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October 15, 2010

VIA UPS 2nd DAY DELIVERY

Jackie Apanowitch
Market Conduct Exam Coordinator
The Hartford Insurance
P&C Regulatory Compliance, HO-1-09
One Hartford Plaza
Hartford, CT 06155

RE: Market Conduct Examination
Property & Casualty Insurance Company of Hartford (NAIC# 34690)
Trumbull Insurance Company (NAIC# 27120)
Examination Period: January 1, 2009 – December 31, 2009

Dear Ms. Apanowitch:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced companies for the period of January 1, 2009 through December 31, 2009. The Preliminary Market Conduct Examination Report has been drafted for the companies' review.

Enclosed with this letter is a copy of the Preliminary Market Conduct Examination Report (Report) and copies of review sheets that have been withdrawn or revised since September 10, 2010. Also enclosed are several technical reports that will provide you with the specific file references for the violations listed in the Report.

Since there appears to have been a number of violations of Virginia insurance laws on the part of the companies, I would urge you to closely review the Report. Please provide a written response. If the companies disagree with an item(s) or wish to further comment on an item(s), please respond to the items in Part I of the Report using the format of the Report. The companies do not need to respond to any particular item in Part I if it agrees with the Report. Please be aware that the examiners are unable to remove an item from the Report or modify a violation unless the companies provide written documentation to support its position. If the companies use the same format (headings and numbering) as found in the Report, it is much easier to follow the companies' points.

Secondly, the companies should respond to the corrective action plan (CAP) outlined in Part II of the Report. In some cases, the issues that should be addressed may be broader than those that are in the CAP. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business practice, the companies should outline the actions they are taking to prevent those issues from becoming a business practice.

Thirdly, if the companies have comments they wish to make regarding the Examiners' Notes in Part III of the Report, please use the same headings and numbering for the comments. Of course, should the companies wish to comment on any other part of the Report, please reference the heading of the section where the item is found.

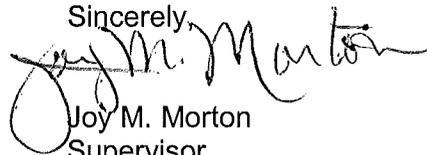
Finally, we have enclosed a CD containing an Excel spreadsheet that the companies must complete and return to the Bureau with the companies' response. This spreadsheet lists the files in which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The companies' response and the spreadsheet mentioned above must be returned to the Bureau by November 16, 2010.

After the Bureau has received and reviewed the companies' response, we will make any justified revisions to the Report. The Bureau will then be in a position to determine the appropriate disposition of the market conduct examination.

We look forward to your reply by November 16, 2010.

Sincerely,



Joy M. Morton
Supervisor
Market Conduct Section
Property & Casualty Division
(804) 371-9731
joy.morton@scc.virginia.gov

JMM/rvw
Enclosure



Kathleen Querfeld
Counsel
Law Department

December 10, 2010

Joy M. Morton, Supervisor
Market Conduct Section – Property & Casualty Division
Commonwealth of Virginia – Bureau of Insurance
Tyler Building
1300 East Main Street
Richmond, Virginia 23219

STATE CORP COMMISSION
BUREAU OF INSURANCE
10 DEC 13 AM 11:44

Re: Market Conduct Examination
Property & Casualty Insurance Company of Hartford (NAIC# 34690)
Trumbull Insurance Company (NAIC# 27120)
(collectively, the “Companies”)
Examination Period: January 1, 2009 – December 31, 2009

Dear Ms. Morton:

This letter and enclosure is in response to the Virginia Bureau of Insurance’s October 15, 2010 draft market conduct exam report (“draft report”). The Companies have provided electronic comments within the body of the draft exam report in accordance with the Bureau’s instructions. A copy of those comments is included with this letter. Further, the Companies have completed the Excel spreadsheets requested by the Bureau that confirm payments made to policyholders for premium overcharges and claim underpayments.

As a preliminary matter, the Companies request clarification regarding the definition of a “general business practice” under the Virginia rules governing unfair claim settlement practices (14 VAC 5-400-10 *et seq.*). The Companies would like to understand whether a

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general business practice is defined based upon the number of errors (e.g. over 5 for a specific category) or percentage of violations (e.g. 5 out of 67 auto claims reviewed). The Companies are concerned that a relatively small number of handler errors, despite the Companies having compliant business practices in place that were not followed, could be deemed "general business practices". Finally, the Companies would like to understand how "general business practices" violations affect resolution of the exam, including corrective actions and payment of any administrative penalties.

In addition, the Companies have one comment on page 3 in the Company Profiles section: The report states that "[t]his business was developed through independent agents." This statement should be modified or changed to the following: "This business was developed on a direct response basis as the "AARP Auto and Homeowners Insurance Program."

Lastly, the Companies request that the following sentence be deleted from the Licensing and Appointment Review section of the report: "In addition, the agent or agency to which each company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company." In this program, the Company does not pay commission to any agents or agencies. There are no entities involved in selling these policies. The program is written on a direct response basis.

We look forward to the opportunity to review this response with you and thank you for your courtesy in granting us until December 10th to respond. Please do not hesitate to contact me if you have any questions or would like to discuss our response in greater detail.

Sincerely,



Kathleen Querfeld

STATE CORP COMMISSION
BUREAU OF INSURANCE

10 DEC 13 AM 11:44

MARKET CONDUCT EXAMINATION REPORT

OF

PROPERTY & CASUALTY INSURANCE COMPANY OF HARTFORD

TRUMBULL INSURANCE COMPANY

AS OF

DECEMBER 31, 2009

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

Property and Casualty Division
Market Conduct Section

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a target examination has been made of the private passenger automobile and homeowners lines of business written by Property and Casualty Insurance Company of Hartford and Trumbull Insurance Company at its office in Farmington, Connecticut.

The examination commenced June 7, 2010 and concluded September 10, 2010. Andrea D. Baytop, Karen S. Gerber, Edwin N. Millan, and Roushawn V. White-Simmons, examiners of the Bureau of Insurance, and Joy M. Morton, Market Conduct Supervisor of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Examination Tracking System on March 25, 2010 and was assigned the examination number of VA199-M18. The examination was conducted in accordance with the procedures established by the National Association of Insurance Commissioners (NAIC).

COMPANY PROFILES

Property and Casualty Insurance Company of Hartford (PCICH) was incorporated under the laws of Indiana on May 4, 1989. The company is licensed in 48 states and the District of Columbia.

Trumbull Insurance Company (TIC) is a continuation of a company incorporated on August 28, 1979 under the laws of Alabama. It began business on January 1, 1980 under the name Hartford Insurance Company of Alabama.

During 1987, the original company was merged into the Hartford Insurance Company of Connecticut, Hartford, Connecticut. The latter company was incorporated on October 10, 1986 solely to effect a change in the state of domicile to Connecticut from Alabama. Effective April 22, 1992, the current title was adopted. Trumbull Insurance Company is licensed in 46 states and the District of Columbia.

All companies are based in Hartford, Connecticut. *

The table below indicates when the companies were licensed in Virginia and the lines of insurance that the companies were licensed to write in Virginia during the examination period. All lines of insurance were authorized on the date the companies were licensed in Virginia except as noted in the table.

* Source: Best's Insurance Reports, Property & Casualty, 2009 Edition.

GROUP CODE: 0091	PCICH	TIC
Hartford Companies		
NAIC Company Number	34690	27120

Page 3

LICENSED IN	12/14/1	12/14/1
VIRGINIA	995	995

LINES OF INSURANCE

Accident and Sickness	X	X
Aircraft Liability	X	X
Aircraft Physical	X	X
Damage		
Animal	X	X
Automobile Liability	X	X
Automobile Physical	X	X
Damage		
Boiler and Machinery	X	X
Burglary and Theft	X	X
Commercial Multi-Peril	X	X
Credit		
Farmowners Multi-Peril	X	X
Fidelity	X	X
Fire	X	X
General Liability	X	X
Glass	X	X
Homeowners Multi-Peril	X	X
Inland Marine	X	X
Miscellaneous Property	X	X
Ocean Marine	X	X
Surety	X	X
Water Damage	X	X
Workers' Compensation	X	X

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE
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Hartford Companies

Page 4

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2009 for the lines of insurance included in this examination.* This business was developed through independent agents.

* Source: The 2009 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

3335793_1

Hartford Companies

Page 5

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Property & Casualty Ins Co of Hartford		
Homeowners	\$5,653,948	0.36%
Private Automobile Liability	\$9,042,629	0.39%
Private Automobile Physical Damage	\$4,485,627	0.26%
Trumbull Ins Co		
Private Automobile Liability	\$7,047,215	0.30%
Private Automobile Physical Damage	\$3,246,749	0.19%

SCOPE OF THE EXAMINATION

The examination included a detailed review of the companies' private passenger automobile and homeowners lines of business written in Virginia for the period beginning January 1, 2009 and ending December 31, 2009. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance*, statutory notices, agent licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the companies' operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

This Report is divided into three sections, Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Examiners' Notes. Part One outlines all of the violations of Virginia insurance statutes and regulations that were cited during the examination. In addition, the examiners cited instances where the companies failed to adhere to the provisions of the policies issued on risks located in Virginia. Finally, violations of other related laws that apply to insurers, characterized as "Other Law Violations," are also noted in this section of the Report.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a business practice.

* Policies reviewed in this category reflect the companies' current practices and, therefore, fell outside of the exam period.

In Part Three, the examiners cite any violations that are not considered a business practice. Also included in this section are recommendations regarding the companies' practices that are not violations of Virginia insurance laws but require some action by the companies. This section does not form the basis of any settlement offer made by the Bureau.

The examiners may not have discovered every unacceptable or non-compliant activity in which the companies engaged. The failure to identify, comment on, or criticize specific company practices does not constitute an acceptance of the practices by the Bureau.

STATISTICAL SUMMARY

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the companies. The relationship between population and sample is shown on the following page.

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

Hartford Companies

**Population
Sample Requested**

AREA	PCICH	TIC	TOTAL	<u>FILES REVIEWED</u>	<u>FILES NOT FOUND</u>	<u>FILES WITH ERRORS</u>	<u>ERROR RATIO</u>
<u>Private Passenger Auto</u>							
	<u>28</u>	<u>8662</u>	<u>8690</u>				
New Business ¹	5	20	25	24	0	14	58%
	<u>13880</u>	<u>3846</u>	<u>17726</u>				
Renew al Business ²	20	10	30	27	0	19	70%
	<u>47</u>	<u>233</u>	<u>280</u>				
Co-Initiated Cancellations ³	19	21	40	25	0	14	56%
	<u>934</u>	<u>599</u>	<u>1533</u>				
All Other Cancellations	10	10	20	20	0	9	45%
	<u>24</u>	<u>3</u>	<u>27</u>				
Nonrenew als	3	3	6	6	0	1	17%
	<u>0</u>	<u>45</u>	<u>45</u>				
Rejected Applications	0	5	5	5	0	3	60%
<u>Homeowners</u>							
	<u>3699</u>	<u>0</u>	<u>3699</u>				
New Business	25	0	25	25	0	5	20%
	<u>6593</u>	<u>0</u>	<u>6593</u>				
Renew al Business	15	0	15	15	0	3	20%
	<u>7</u>	<u>0</u>	<u>7</u>				
Co-Initiated Cancellations ⁴	25	0	25	10	0	5	50%
	<u>337</u>	<u>0</u>	<u>337</u>				
All Other Cancellations	17	0	17	17	0	6	35%
	<u>16</u>	<u>0</u>	<u>16</u>				
Nonrenew als	2	0	2	2	0	0	0%
	<u>1957</u>	<u>0</u>	<u>1957</u>				
Rejected Applications	5	0	5	5	0	1	20%
<u>Claims</u>							
	<u>2303</u>	<u>1490</u>	<u>3793</u>				
Auto	37	30	67	67	0	39	58%
	<u>748</u>	<u>0</u>	<u>748</u>				
Property	25	0	25	25	0	12	48%

Footnote ¹ One file submitted in this area was a renewal and was reviewed as Renew al business.

Footnote ² Four files were not reviewed because they were part of a prior regulatory action with the Bureau.

Footnote ³ Prior to 60 - Requested seven, reviewed five. Two of the files were not cancellations. After 59th - Requested 40, reviewed 20. 20 were not cancellations after the 59th day.

Footnote ⁴ After 90th day - Requested 20, reviewed five. 15 files were not cancellations after the 90th day.

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PART ONE - THE EXAMINERS' OBSERVATIONS

This section of the Report includes all of the observations that the examiners provided to the companies. These include all instances where the companies violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the companies violated any other Virginia laws applicable to insurers.

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The Bureau requested 25 new business policy files for review. The examiners reviewed 24 of these files. One file included in the companies' population was a renewal and reviewed under the renewal business category. The examiners found overcharges totaling \$610.00 and undercharges totaling \$231.00 during the review of these files. The net amount that should be refunded to insureds is \$610.00 plus six percent (6%) simple interest.

- (1) The examiners found 14 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by this section.
 - a. In seven instances, the company failed to include accurate information on the declarations page.
 - b. In seven instances, the company listed endorsements on the declarations page that were not applicable to the policy.

While the Company agrees that the declarations page should include

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accurate information, we disagree that failure to do so is a violation of §38.2-305 of the Code of Virginia because the statute does not include requirements for the declarations page.

- (2) The examiners found one violation of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide a copy of the new business application.

The Company agrees that it was unable to produce a copy of the new business application. However, the Company disagrees that this is a violation of § 38.2-1318 of the Code of Virginia. Section 38.2-1318 C. 1. states that “[e]very company ...from whom information is sought, its officers, directors, and agents shall provide the examiners convenient access at all reasonable hours to its books, records, files, securities, accounts, papers, documents, and any or all computer or other recordings relating to the property, assets business and affairs of the company being examined ... that are relevant to the examination.” The fact that the Company’s files may have lacked a level of completeness that would be optimal for purposes of file review does not constitute a violation of §38.2-1318. The essence of this statute is that insurers must be cooperative and must not withhold information from the examiner. It is not a record retention requirement setting forth specific documents that must be kept as part of a file.

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- (3) The examiners found four violations of § 38.2-1905 C of the Code of Virginia. The company failed to apply surcharge points under its Safe Driver Insurance Plan (SDIP) in accordance with its filed rules.
- (4) The examiners found 16 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In one instance, the company failed to use the correct discounts and/or surcharges.
 - b. In two instances, the company failed to apply the correct points for accidents and/or convictions.
 - c. In one instance, the company failed to use the correct symbol.
 - d. In seven instances, the company failed to use the correct tier eligibility criteria.
 - e. In two instances, the company failed to use the correct driver classification factor.
 - f. In one instance, the company failed to use the correct base and/or final rates.
 - g. In two instances, the company failed to apply the Policy Expense Fee in accordance with its filed rule.

Automobile Renewal Business Policies

The Bureau requested 30 renewal business policy files for review. The examiners reviewed 27 renewal policy files. Four files had already been cited in a prior regulatory action and were excluded from review. One additional file was moved from the new business category and reviewed under the renewal business category. The examiners found overcharges totaling \$464.00 and undercharges totaling \$542.00 during the review of these files. The net amount

that should be refunded to insureds is \$464.00 plus six percent (6%) simple interest.

- (1) The examiners found 11 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by this section.
 - a. In seven instances, the company failed to include accurate information on the declarations page.
 - b. In four instances, the company listed endorsements on the declarations page that were not applicable to the policy.

While the Company agrees that the declarations page should include accurate information, we disagree that failure to do so is a violation of § 38.2-305 of the Code of Virginia because the statute does not include requirements for the declarations page.

- (2) The examiners found one violation of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions or terms of its insurance policy. The company printed misleading information on the declarations page.

The Company disagrees with this finding. The account credit was listed on the declarations page and was given to the insured. There was no misrepresentation of the benefits, advantages, conditions, or terms of the policy. The fact that the credit should have been removed from the policy does not constitute a misrepresentation.

- (3) The examiners found two violations of § 38.2-1905 C of the Code of Virginia. The company failed to apply surcharge points under its SDIP in accordance with its filed rules.
- (4) The examiners found one violation of § 38.2-1906 A of the Code of Virginia. The company failed to file all rates and supplementary rate information. The company failed to file rules to rate Physical Damage coverage only policies.
- (5) The examiners found 32 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In seven instances, the company failed to use the correct discount and/or surcharge.
 - b. In one instance, the company failed to use the correct symbol.
 - c. In five instances, the company failed to use the correct tier eligibility criteria.
 - d. In two instances, the company failed to use the correct driver classification factors.
 - e. In four instances, the company failed to use the correct base and/or final rates.
 - f. In one instance, the company failed to follow the filed minimum premium rule.
 - g. In five instances, the company failed to use the filed rounding rule.
 - h. In four instances, the company failed to apply the Policy Expense Fee in accordance with its filed rule.
 - i. In three instances, the company failed to use the correct model year factor.

There were three vehicles on the same policy therefore the Company submits that this should only be counted as one violation.

- (6) The examiners found one violation of § 38.2-2234 B of the Code of Virginia. The company failed to update the insured's credit information at least once every three years.

Homeowners New Business Policies

The Bureau requested 25 new business policy files for review. The examiners reviewed all of these files. The examiners found no overcharges and undercharges totaling \$114.00 during the review of these files.

- (1) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an AUD.

The Company disagrees with this finding. The customer requested \$2,500 Blanket Jewelry coverage on the confirmation sheet. The insured never received an AUD notice because the Company did not decline to issue the coverage. The representative that processed the confirmation sheet should have followed Company procedures and added the Blanket Jewelry Coverage. The failure to include the coverage in the policy was an inadvertent processing error, not an adverse underwriting decision.

- (2) The examiners found six violations of § 38.2-1906 D of the Code of Virginia. The

company failed to use the rates and/or rules on file with the Bureau.

- a. In two instances, the company failed to use the correct discounts and/or surcharges.
- b. In one instance, the company failed to use the correct tier eligibility criteria.
- c. In one instance, the company failed to use the correct base and/or final rates.
- d. In one instance, the company failed to use the correct construction type.

The Company disagrees with this finding. The Company rated the structure as masonry based on information obtained by the insured. When the inspection report came back, it revealed that it was a frame structure. The representative that processed the inspection report made the change effective for the next renewal term so as to not negatively affect the insured's premium for the current term.

- e. In one instance, the company failed to follow the Secondary Residence Premises rule.

Homeowners Renewal Business Policies

The Bureau requested 15 renewal business policy files for review. The examiners reviewed all of these files. The examiners found overcharges totaling \$88.00 and undercharges totaling \$195.00 during the review of these files. The net amount that should be refunded to insureds is \$88.00 plus six percent (6%) simple interest.

The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In two instances, the company failed to use the correct discounts and/or surcharges.
- b. In one instance, the company failed to use the correct territory.

TERMINATION REVIEW

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

Company-Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

The Bureau requested seven automobile cancellations that were initiated by the companies where the companies mailed the notices prior to the 60th day of coverage in the initial policy period. The examiners reviewed five of these files. One file was not a cancellation and one file was a re-written policy. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found no violations in this area.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The Bureau requested 40 automobile cancellations that were initiated by the companies where the companies mailed the notices on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. The examiners reviewed 20 of these files. Twenty files in the companies' data population for this category were expirations, rewritten policies, policies cancelled at the insured's request or cancellations for non-payment of premium and therefore were not reviewed. The examiners found overcharges totaling \$14.00 and undercharges totaling \$8.00 during the review of these files. The net amount that should be refunded to insureds is \$14.00 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (2) The examiners found 12 violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.

The Company disagrees with this finding. The proof of mailing for these policies comply with Section 38.2-2208 A.1.b because it is a written receipt obtained from the post office showing the name and address of the insured stated in the policy. The post office receipt and listing are shown together on the same document. This type of proof of mailing is distinguishable from the type described under Section 38.2-2208 A.1.c (the list of names is

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maintained by the insurer as a separate document and the post office receipt shows the date of mailing and the number of items mailed). A copy of the post office receipt for one of the policies is attached. Review sheets listed below concerning the same issue were withdrawn:

TPA003- TermFst60PPA1912121607

TPA006- TermFst60PPA284079524

TPA004- TermFst60PPA644273146

TPA005- TermFst60PPA-2140003511

- (3) The examiners found eight violations of § 38.2-2208 B of the Code of Virginia.
- a. In one instance, the company failed to provide proper notice of cancellation to the lienholder.
 - b. In seven instances, the company failed to obtain valid proof of mailing the cancellation notice to the lienholder.

The Company disagrees with this finding. The proof of mailing for these policies comply with Section 38.2-2208 B.1.b because it is a written receipt obtained from the post office showing the name and address of the lienholder stated in the policy. The post office receipt and listing are shown together on the same document. This type of proof of mailing is distinguishable from the type described under Section 38.2-2208 B.1.c (the list of names is maintained by the insurer as a separate document and the post office receipt shows the date of mailing and the number of items mailed). A copy of the post office receipt for one of the policies is attached.

Review sheets listed below concerning the same issue were withdrawn:

TPA003- TermFst60PPA1912121607

TPA006- TermFst60PPA284079524

TPA004- TermFst60PPA644273146

TPA005- TermFst60PPA-2140003511

- (4) The examiners found three violations of § 38.2-2212 D of the Code of Virginia.
- a. In two instances, the company cancelled the policy because of a revocation or suspension of a driver's license that did not occur during the period of time permitted by the Code of Virginia.
 - b. In one instance, the company cancelled the policy for a reason not permitted by the Code of Virginia.
- (5) The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to send the insured written notice of cancellation.

Other Law Violations

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of another Virginia law.

The examiners found three violations of § 46.2-482 of the Code of Virginia. The company failed to file an SR-26 within 15 days of canceling the policy as required by the Virginia Motor Vehicle Code.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The Bureau requested ten automobile cancellations that were initiated by the companies for nonpayment of the policy premium. The examiners reviewed all of these files. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found nine violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.

REQUESTED BY THE INSURED

The Bureau requested ten automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. The examiners reviewed all of these files. The examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

Company-Initiated Non-renewals – Automobile Policies

The Bureau requested six automobile nonrenewals that were initiated by the companies. The examiners reviewed all of these files.

The examiners found one violation of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide evidence of the insured's license suspension.

The Company disagrees with this finding. All of the underwriting notes and contact history were provided to the examiners on June 28, 2010. This information included evidence of the insured's license suspension.

Rejected Applications - Automobile

The Bureau requested five automobile insurance applications for which the company declined to issue a policy. The examiners reviewed all of these files.

The examiners found three violations of § 38.2 610 A of the Code of Virginia. The company failed to provide the insured an AUD notice in an approved form or containing language substantially similar as that of the prototype provided by Administrative Letter 1981-16.

The Company disagrees with this finding. The notice provides applicants with the opportunity to dispute the information in their file. If they believe that the information that the Company has obtained is incorrect, customers may request that the Company re-investigate the information on file. After investigating the information, the Company may correct its records if the information is found to be incorrect.

Homeowners Policies

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is

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described below.

Company-Initiated Cancellations – Homeowners Policies

NOTICE MAILED PRIOR TO THE 90TH DAY OF COVERAGE

The Bureau requested five homeowners cancellations that were initiated by the company where the company mailed the notices prior to the 90th day of coverage in the initial policy period. The examiners reviewed all of these files. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found one occurrence where the company failed to comply with the provisions of the insurance contract. The company failed to send the insured written notice of cancellation.

NOTICE MAILED AFTER THE 89TH DAY OF COVERAGE

The Bureau requested 20 homeowners cancellations that were initiated by the company where the company mailed the notices on or after the 90th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. The examiners reviewed five of these files. Fifteen files in the companies' data population for this category were rewritten policies and therefore not reviewed. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found no violations in this area.

All Other Cancellations – Homeowners Policies

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NONPAYMENT OF THE PREMIUM

The Bureau requested seven homeowners cancellations that were initiated by the company for nonpayment of the policy premium. The examiners reviewed all of these files. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found five violations of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the notice of cancellation to the insured of a policy insuring an owner-occupied dwelling.

The Company does not agree with this finding. The certificate of mailing receipt is reviewed by a Hartford employee and verified that the information is accurate. The process is to review the document for accuracy and certify that it is correct by initialing the certificate of bulk mailing receipt.

REQUESTED BY THE INSURED

The Bureau requested ten cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. The examiners reviewed all of these files. The examiners found no overcharges and no undercharges during the review of these files.

The examiners found one occurrence where the company failed to comply with the provisions of the insurance contract. The company failed to obtain a written request from the insured.

Company-Initiated Non-renewals – Homeowners Policies

The Bureau requested two homeowners nonrenewals that were initiated by the company. The examiners reviewed both of these files.

The examiners found no violations in this area.

Rejected Applications – Homeowners Policies

The Bureau requested five homeowners applications for which the company declined to issue a policy. The examiners reviewed all of these files.

- (1) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written notice of an AUD.
- (2) The examiners found one violation of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company did not provide the new business application.

Although the Company agrees that this application was not provided, we disagree that this is a violation of § 38.2-1318. Section 38.2-1318 C. 1. states that “[e]very company ...from whom information is sought, its officers, directors, and agents shall provide the examiners convenient access at all reasonable hours to its books, records, files, securities, accounts, papers, documents, and any or all computer or other recordings relating to the property, assets business and affairs of the company being examined ... that are relevant to the examination. The fact that the Company’s files may have lacked a level of completeness that would be optimal for purposes of

file review does not constitute a violation of §38.2-1318. The essence of this statute is that insurers must be cooperative and must not withhold information from the examiner. It is not a record retention requirement setting forth specific documents that must be kept as part of a file.

CLAIMS REVIEW

Private Passenger Automobile Claims

The examiners reviewed 67 automobile claims for the period of January 1, 2009 through December 31, 2009. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. The examiners found overpayments totaling \$80.00 and underpayments totaling \$1,291.91 during the review of these files. The net amount that should be paid to claimants is \$1,269.91 plus six percent (6%) simple interest.

- (1) The examiners found seven violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found eight violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance contract that were pertinent to the claim.

- a. In two instances, the company failed to accurately inform an insured of his Medical Expense Benefits coverage when the file indicated the coverage was applicable to the loss.
- b. In two instances, the company failed to accurately inform an insured of his Transportation Expense coverage when the file indicated the coverage was applicable to the loss.
- c. In four instances, the company failed to inform an insured of the benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM).

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found five violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within 10 working days to pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.

These findings occurred with such frequency as to indicate a general business practice.

- (4) The examiners found five violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.

These findings occurred with such frequency as to indicate a general business

practice.

- (5) The examiners found 20 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim, or failed to pay a claim in accordance with the insured's policy provisions.
- a. In one instance, the company failed to pay the insured's UMPD claim properly when collision and/or UMPD coverages applied to the claim.
 - b. In four instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Uninsured Motorist coverage.
 - c. In 14 instances, the company failed to pay the proper sales and use tax, title fee, and license fee on first party total loss settlements.
 - d. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expense coverage.

These findings occurred with such frequency as to indicate a general business practice.

- (6) The examiners found six violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- a. In five instances, the company failed to provide a copy of the repair estimate to the insured.
 - b. In one instance, the company failed to provide a copy of the repair

estimate to the claimant.

These findings occurred with such frequency as to indicate a general business practice.

- (7) The examiners found two violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue. The company failed to properly convey to the insured the company's obligation concerning payment of the insured's Medical Expense Benefits claim.
- (8) The examiners found eight violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.

These findings occurred with such frequency as to indicate a general business practice.

- (9) The examiners found eight occurrences where the company failed to comply with the provisions of the insurance contract.
- a. In four instances, the company failed to include the lienholder on the check.
- b. In four instances, the company paid an insured more than the insured was entitled to receive under the terms of his policy.

Other Law Violations

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of another Virginia law.

The examiners found 15 violations of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim forms required by the company as a condition of payment.

Homeowners Claims

The examiners reviewed 23 homeowner claims for the period of January 1, 2009 through December 31, 2009. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. The examiners found overpayments totaling \$14,275.35 and no underpayments during the review of these files.

- (1) The examiners found one violation of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for its denial in the written denial of the claim.
- (2) The examiners found 11 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or policy provisions relating to coverages at issue. The company gave the insured 180 days from the last actual cash payment rather than six months from the last actual cash payment to assert a claim for replacement cost on the damaged property.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found one violation of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured that was not accompanied by a statement setting forth the correct coverage(s) under which the payment was made.
- (4) The examiners found one occurrence where the company failed to comply with the provisions of the insurance contract. The company paid the insured more than he was entitled to receive under the terms of the policy.

The Company disagrees with this negative finding. It is the Company's position that the loss was correctly covered as an accidental discharge and the back-up exclusion would not apply. The type of "sewer back up" that occurred in this loss was an overflow versus a back-up because the water that discharged from the broken sewer line came from within the insured's plumbing system and it was not sewage that flowed backwards from the city sewer line onto the insured's property or into the insured's premises.

Other Law Violations

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of another Virginia law.

The examiners found one violation of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim forms required by the company as a condition of payment.

The claimant to whom the claim form was addressed is a Delaware resident and this claim is a Delaware Property Damage Liability claim, therefore the Delaware fraud warning, not the Virginia language, would be required on any claim form sent to a Delaware claimant in this circumstance.

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In addition, § 52-40 indicates that the Fraud Warning has to "clearly state in substance the following" "It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits." The substance of the Delaware Fraud Warning is sufficiently similar to the Virginia fraud warning for the consequences of a fraudulent activity to be clearly understood.

REVIEW OF FORMS

The examiners reviewed the companies' policy forms and endorsements used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the companies. In addition, the Bureau requested copies of new and renewal business policy mailings that the companies were processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance Process section of the Report. The examiners then reviewed the forms used on these policies to verify the companies' current practices.

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 107 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found one violation of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one currently filed and approved by the Bureau.
- (2) The examiners found one violation of § 38.2-2220 of the Code of Virginia. The company used policy form PP 02 02 08 86, Reinstatement of Insurance endorsement, which was not in the precise language of the standard form filed and adopted by the Bureau.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

Homeowners Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 57 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found one violation of § 38.2-317 A of the Code of Virginia. The company used policy form HO 01 45 04 99, Special Provisions Endorsement, which had not been filed with the Bureau at least 30 days prior to use.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

REVIEW OF THE POLICY ISSUANCE PROCESS

To obtain sample policies to review the companies' policy issuance process for the lines examined, the examiners requested new and renewal business policy mailings that were sent after the companies received the Examination Data Call. The companies were instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the companies enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

Automobile Policies

The companies provided five new business policies mailed on January 1, 29, February 10, 17, and March 2, 2010. In addition, the companies provided ten renewal business policies mailed on November 12, 13, 25, December 1, 2, 8, 28, and 31, 2009.

NEW BUSINESS POLICIES

The examiners found five violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance contract or policy all of the conditions

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pertaining to the insurance by failing to list all applicable forms on the declarations page.

RENEWAL BUSINESS POLICIES

The examiners found ten violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance contract or policy all of the conditions pertaining to the insurance by failing to list all applicable forms on the declarations page.

Homeowners Policies

The companies provided five new business policies mailed on January 20, February 4, 11, 16, 25 and March 25, 2010. In addition, the companies provided five renewal business policies mailed on January 16, 20, February 16 and March 10, 2010.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

REVIEW OF STATUTORY NOTICES

To obtain sample policies to review the content of the statutory notices that the companies are required to provide to insureds and used by the companies for the lines examined, the examiners used the same new business

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policy and renewal business policy mailings that were previously described. The details of these policies have been set forth previously under the Review of the Policy Issuance Process section of the Report. The examiners verified that the notices used by the companies on all applications, on all policies, and those special notices used for vehicle and property policies issued on risks located in Virginia complied with the Code of Virginia.

General Statutory Notices

The examiners found four violations of § 38.2-610 A of the Code of Virginia. The companies failed to have an AUD notice containing substantially similar language as that of the prototype set forth in Administrative Letter 1981-16.

The Company disagrees with this finding. The notice provides applicants with the opportunity to dispute the information in their file. If they believe the information that the Company has obtained is incorrect, customers may request that the Company re-investigate the information on file. After investigating the information, the Company may correct its records if the information is found to be incorrect.

Statutory Vehicle Notices

The examiners found two violations of § 38.2-1905 A of the Code of Virginia. The company failed to have available a point surcharge notice that informs the insured of points that could be charged as a result of a motor vehicle accident.

The Company disagrees with this finding. This letter (8.061) meets the requirements of § 38.2-1905-A of the Code of Virginia because this letter informs insureds that their premium has increased as a result of a moving violation or motor vehicle accident. The letter lists the specific incident that caused the increase in premium. The letter also informs insureds that they may request a review of the increase in premium by the Commissioner if they believe the premium has increased as a result of a motor vehicle accident without just cause.

Statutory Property Notices

- (1) The examiners found one violation of § 38.2-2118 of the Code of Virginia. The company failed to include the required notice summarizing the replacement cost provisions for owner-occupied dwellings.

- (2) The examiners found two violations of § 38.2-2126 A of the Code of Virginia. The Credit Disclosure notice did not include all of the information required by the statute.

Based on a phone conversation with the examiners on September 9, 2010, this violation should be removed from the report. Attached is a copy of an email from the examiners that confirms the removal of this issue.

Other Notices

The companies provided copies of five other notices that were used during the examination period.

The examiners found no violations in this area.

LICENSING AND APPOINTMENT REVIEW

A review was made of new business automobile and homeowners policies to verify that the agent of record, for those policies, was licensed and appointed to write business for the companies as required by Virginia insurance statutes. In addition, the agent or agency to which each company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.

Agent

The examiners found one violation of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of the application.

Agency

The examiners found no violations in this area.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

A review was made of the companies' complaint-handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found no violations in this area.

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES

The Bureau requested a copy of the company's information security procedures used to protect the privacy of policyholder information as required by § 38.2-613.2 of the Code of Virginia.

The company provided its information security procedures.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. Unless otherwise noted, a ten percent (10%) error criterion was applied to all operations of the companies, with the exception of claims handling. The threshold applied to claims handling was seven percent (7%). Any error ratio above these thresholds indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

Property and Casualty Insurance Company of Hartford, and
Trumbull Insurance Company shall:

Provide a Corrective Action Plan (CAP) with their response to this report.

Rating and Underwriting Review

Property and Casualty Insurance Company of Hartford, and
Trumbull Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the

overcharge as of the date the error first occurred.

The Company has provided the refunds to the customers who were overcharged, and is working to correct all of the errors associated with the overcharges and undercharges.

- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' account.

The Company has included 6% simple interest with the refunds.

- (3) Complete and submit to the Bureau, the enclosed file titled "Rating Overcharges Cited During the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.

Please see the attached spreadsheet confirming the Company has issued the refunds to the customers that were overcharged.

- (4) Specify the required information in the policy and/or the declarations page.

Although the Company disagrees that this issue constitutes a violation of §38.2-305 A of the Code of Virginia, the Company will update the policy and/or declarations page to include all the information contained in the policy. The Company will follow up with the examiners once this has been completed.

- (5) Assign at-fault accidents and moving conviction surcharges applied under a SDIP to the vehicle customarily operated by the at-fault driver.

The Company is working on correcting the rate and rule manual to only assign at-fault accidents and moving conviction surcharges applied under a SDIP to the vehicle customarily operated by the driver who had the accident or received the conviction. The Company will follow up with the examiners once this has been completed.

- (6) Use rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points under a safe driver insurance policy, driver classification factors, policy expense fee rules, rounding rules, tier eligibility, and correct base and/or final rates.

The Company will use to the rates and rules on file with the Bureau. As the Company reviews the rates and rules on file with the Bureau it will file any changes that are made.

- (7) Trumbull Insurance Company will complete an audit of policies written between calendar years 2008 to 2010 and determine if the moving violations and/or at-fault accident(s) were applied appropriately. The company should report its findings to the Bureau. When applicable, the company should make restitution to any insureds who were overcharged.

The Company has completed an audit of Trumbull Insurance Company policies written between calendar years 2008 and 2010. The audit disclosed that there are 1,832 policies where the moving violations and/or at-fault accidents were applied to an extra vehicle. The Company is working to correct these policies and will update the Bureau with detailed premium restitution information as the corrections are made.

Termination Review

Property and Casualty Insurance Company of Hartford, and
Trumbull Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds the amount of the overcharge as of the date the error first occurred.

The Company has provided the refunds to the customers who were overcharged, and is working to correct all of the errors associated with the overcharges and undercharges.

- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' account.

The Company has included 6% simple interest with the refunds.

- (3) Complete and submit to the Bureau, the enclosed file titled "Termination Overcharges Cited During the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.

Please see the attached spreadsheet confirming the Company has issued the refunds to the customers who were overcharged.

- (4) Develop an AUD notice that is substantially similar to the prototype notice set forth in Administrative Letter 1981-16.

The Company disagrees with this finding. The notice provides applicants with the opportunity to dispute the information in their file. If they believe the information that the Company has obtained is incorrect, customers may request that the Company re-investigate the information on file. After investigating the information, the Company may correct its records if the information is found to be incorrect.

- (5) Calculate earned premium according to its filed rules and policy provisions.

The Company will calculate earned premium according to its filed rules and policy provisions.

- (6) Provide a written AUD notice to insureds.

The Company will provide a written AUD notice to the insured when the Company takes an adverse action on a policy.

- (7) Obtain and retain valid proof of mailing cancellation notices to the lienholder.

The Company will obtain and retain valid proof of mailing for cancellation notices mailed to lienholders.

- (8) Cancel private passenger automobile policies only for those reasons permitted by § 38.2-2212 of the Code of Virginia when the notice is mailed after the 59th day of coverage.

The Company will only cancel policies for reasons permitted by the Code of Virginia.

- (9) Cancel a policy on an owner-occupied dwelling after the 90th day of coverage only for a reason permitted by the statute.

The Company will only cancel policies for reasons permitted by the Code of Virginia.

- (10) Obtain and retain valid proof of mailing the cancellation notice to the insured on a policy insuring an owner-occupied dwelling.

The Company will obtain and retain valid proof of mailing for cancellation notices mailed to insureds for a policy insuring an owner-occupied dwelling.

- (11) Provide the insured the right to review by the Commissioner as required by § 38.2-2212 and § 38.2-2114 of the Code of Virginia.

The Company has taken the appropriate steps to ensure the AUD notice includes information to inform insureds that they have the right to review by Commissioner.

- (12) Advise the insured of the availability of other coverage through the Virginia Property Insurance Association when canceling a policy on an owner-occupied dwelling.

The Company has taken the appropriate steps to ensure that the AUD notice includes information informing the insured of the availability of other coverage through the Virginia Property Insurance Association.

Claims Review

Property and Casualty Insurance Company of Hartford, and
Trumbull Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.

As is set forth in more detail below, claim adjusters have been advised to correct individual file handling errors. Where appropriate, additional training has been conducted with staff to reinforce the Companies' Virginia claim procedures. Underpayments have been issued to insureds and claimants. Please see the file in the attached CD.

- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.

Interest payments have been issued to insureds and claimants. Please see the file in the attached CD.

- (3) Complete and submit to the Bureau, the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have paid the underpayments listed in the file.

Claims underpayments in the enclosed file have been issued. Please see the file in the attached CD.

- (4) Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.

Auto:

The Companies' Claim Standards require claims adjusters to properly document claim files so that all events and dates pertinent to the claim can be reconstructed. To reinforce such Claim Standard, in May 2010 and October 2010 additional training was provided to claim adjusters.

- (5) Document the claim file that all applicable coverages have been discussed with

Hartford Companies

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the insured.

Auto:

Additional training was provided to claim adjusters in May 2010 and October 2010 which reminded claim adjusters of the need to include a notation in the claim file that all available coverages have been explained to the insured after such conversation takes place.

- (6) Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within 10 business days.

Auto:

Existing Company Claim Standards require acknowledgment of correspondence that reasonably suggests a reply is expected within 10 business days. Claim adjusters have been reminded of this requirement.

- (7) Make all claim denials in writing and keep a copy in the claim file.

Auto:

- **Additional training was provided to claim adjusters in May 2010 and October 2010 which reminded claim adjusters of the need to document denials in writing, and to include a copy of the written denial in the claim file.**
- **The process for payment of rental bills has been changed. Under the new process, all rental bills will be forwarded to the field office for payment and identification of partial denial requirements.**

Homeowners:

- **Additional training has been provided to claim adjusters which reminded all staff of the need to provide a complete explanation of the reason for a**

denial and to include the appropriate policy language in the denial letter.

Training on this subject will continue to be provided on an ongoing basis.

- **The Company's Claim Standards contain instruction regarding the correct format of denials which is available for review by all claim adjusters.**
- (8) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.

Auto:

- **This citation was the result of the Company's failure to pay the \$2 tag transfer fee. The root cause of inaccurate tag transfer fee payments was a system issue which was identified and remedied by the Company prior to the examination.**
- (9) Provide copies of repair estimates prepared by or on behalf of the companies to insureds.

Auto:

- **In October 2010, claim adjusters received additional training reinforcing the need to provide insureds and claimants with copies of the Supplemental Damage Estimate.**
 - **Quarterly conference calls are held with Direct Repair Facilities during which the Facility is reminded that damage estimates must be provided to each customer, and that the Facility must properly document that the estimate was given to the insured or claimant.**
- (10) Properly represent pertinent facts or insurance provisions relating to the coverage at issue.

Homeowners:

- **This violation relates to the replacement cost form letter that the Company had been using during the period under examination. The Company had identified this as an issue and had corrected it prior to the commencement of the examination.**
- **Additional training has been provided to remind claim adjusters of the Virginia requirements regarding the timeframe for an insured to assert a replacement cost claim.**

(11) Include a correct statement of coverage under which payments are made with all claim payments to insureds.

Homeowners:

- **Additional training has been provided to all claim adjusters to reinforce the need to specify the correct coverage under which each payment is being made. Additional training will continue to be provided on an ongoing basis to facilitate adherence to Virginia requirements.**

(12) Comply with the provisions of the insurance contract.

Homeowners:

- **The Company disagrees with the Bureau's negative finding regarding this requested corrective action. Please refer to the Homeowners Claims section under Other Law Violations.**

Forms Review

Property and Casualty Insurance Company of Hartford, and
Trumbull Insurance Company shall:

- (1) Use the precise language of automobile forms as filed and approved by the Bureau.

The Company will correct the form to ensure it only contains information on file with and approved by the Bureau. The Company will provide a copy of the form once it has been corrected.

- (2) File all homeowner forms with the Bureau at least 30 days prior to use in Virginia.
The Company will file all homeowner forms with the Bureau at least 30 days prior to use in Virginia.

- (3) Use the rate classification statement filed and approved by the Bureau.
The Company self identified this issue during the course of routine internal auditing. A system release was completed on April 29, 2010 to correct the issue.

Review of Policy Issuance Process

Property and Casualty Insurance Company of Hartford, and
Trumbull Insurance Company shall:

Specify the required information in the policy by listing all applicable forms on the declaration page with all new and renewal policies.

The Company will list all applicable forms on the declaration page with all new and renewal policies.

Review of Statutory Notices

Property and Casualty Insurance Company of Hartford, and
Trumbull Insurance Company shall:

- (1) Develop the AUD notice that complies with § 38.2-610 A of the Code of Virginia.

The Company disagrees with this finding. The notice provides applicants with the opportunity to dispute the information in their file. If they believe that the information that the Company has obtained is incorrect, customers may request that the Company re-investigate the information on file. After investigating the information, the Company may correct its records if the information is found to be incorrect.

- (2) Amend the Accident Point Surcharge notice to comply with § 38.2-1905 A of the Code of Virginia.

The Company disagrees with this finding. This letter (8.061) meets the requirements of § 38.2-1905-A of the Code of Virginia because this letter

informs insureds that their premium has increased as a result of a moving violation or motor vehicle accident. The letter lists the specific incident that caused the increase in premium. The letter also informs insureds that they may request a review of the increase in premium by the Commissioner if they believe that the premium has increased as a result of a motor vehicle accident without just cause.

Licensing and Appointment Review

Property and Casualty Insurance Company of Hartford, and
Trumbull Insurance Company shall:

Appoint agents within 30 days of the date of application.

The Company will ensure that all agents are appointed within 30 days of the date of the application.

PART THREE – EXAMINERS' NOTES

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies should carefully scrutinize these errors and correct the causes before these errors become business practices. The following errors will not be included in the settlement offer:

Rating and Underwriting

- Failure to provide a written AUD notice that is substantially similar to Administrative Letter 1981-16.
- Failure to file all rates and supplementary rates.
- Failure to update the insureds' credit information every three years.
- Failure to provide a new business application.

Termination

- Failure to comply with the provisions of the policy contract.

Claims

- Failure to comply with the provisions of the insurance contract.

RECOMMENDATIONS

We recommend that the companies take the following actions:

Rating and Underwriting

- Trumbull Insurance Company should file revisions to its manual clarifying its Standard Deviation rule.
- Trumbull Insurance Company should remove duplicate Annual Mileage Secondary Classification pages.
- Trumbull Insurance Company should clarify the application of the SDIP surcharges when the insured has more than one at-fault accident or moving conviction.
-
- Trumbull Insurance Company should delete the note stating all SDIP surcharges should be applied to excess vehicles.
- Trumbull Insurance Company should clarify Tier Guidelines when surcharging not-at-fault losses.
- Trumbull Insurance Company should clarify that the limits of the current policy should be used to determine the appropriate BI Coverage Package factor.
- Trumbull Insurance Company should clarify the Non-Standard Plan rules regarding No Prior Insurance.
- The companies should add Loss of Income and Medical Expense coverage to the policy only if the insured selects the coverage(s).

Termination

- The companies should file an SR-26 within 15 days after canceling the

policy as required by the Virginia Motor Vehicle Code.

Claims

- The companies should use the term "Other Than Collision" coverage on the check instead of the term "Comprehensive."
- The companies should use the term "Medical Expense Benefits" coverage on auto medical payments checks instead of the term "Medical Payments."
- The companies should use the term "Transportation Expense" coverage on the check instead of the term "Rental Reimbursement."
- The companies should use the term "Towing and Labor" coverage on the check instead of the term "Roadside Assistance."
- The companies should correctly disclose the "Virginia" fraud warning on their claim letters.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

This is the first time the Virginia Bureau of Insurance has conducted an examination of these companies.

ACKNOWLEDGEMENT

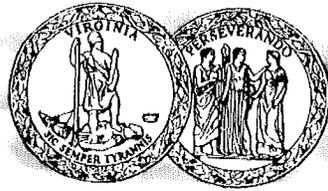
The courteous cooperation extended by the officers and employees of the companies during the course of the examination is gratefully acknowledged.

Sincerely,

Karen S. Gerber
Senior Insurance Market Examiner

COMMONWEALTH OF VIRGINIA

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January 21, 2011

VIA UPS 2ND DAY DELIVERY

Kathleen Querfeld, Counsel
Law Department
The Hartford
One Hartford Plaza, HO-1-09
Hartford, CT 06155

RE: Market Conduct Examination
Property & Casualty Insurance Company of Hartford (NAIC# 34690)
Trumbull Insurance Company (NAIC# 27120)
Examination Period: January 1, 2009 - December 31, 2009

Dear Ms. Querfeld:

The Bureau of Insurance (Bureau) has reviewed the December 10, 2010 response to the Preliminary Market Conduct Report (Report) of Property & Casualty Insurance Company of Hartford and Trumbull Insurance Company (Companies). The Bureau has referenced only those items where the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

Claims general business practices are determined in accordance with the Market Regulation guidelines established by the National Association of Insurance Commissioners (NAIC). The NAIC has determined a general business practice to be seven percent of the claims sample randomly selected for the examination.

The determination of a general business practice was fully explained to the Companies during both the introductory meeting and the exit conference. The Companies were provided the sample size well in advance of the start of the examination. When determining the sample size the Bureau takes into consideration the number of files in the total population as well as the amount of time it would take to review the files (recognizing the expense to the companies of having the examiners on site for several weeks). The companies could have requested an increase in the sample size at any point during the examination. If the Companies feel that the sample size selected is not an accurate representation of the Companies business we are willing to randomly select additional files from the populations provided and review additional files. The examiners encouraged discussion during the introductory meeting.

In the claims review the violations have to rise to the level of a general business practice (7% of the sample size) before a monetary penalty can be assessed. If the violations did not rise to the level of a general business practice (in the area of claims) no monetary penalty will be assessed. In all other areas of the examination a single violation in any category is subject to monetary penalty. The statute applicable to assessing monetary penalties and restitution is § 38.2-218 of the Code of Virginia.

With regards to the method of marketing used by the Companies, the Companies advised during the examination that the business was written by independent agents. Please confirm that the agents for this business are either employees of the company and/or write business for the Hartford Companies exclusively and do not market for any other companies. Further, please confirm that there are no incentives paid to these employees for soliciting this business.

PART ONE – EXAMINERS OBSERVATIONS

Automobile New Business

- (1) The violations in this section remain in the Report. Section 38.2-305 A of the Code of Virginia requires that “Each insurance policy or contract shall specify: The conditions pertaining to the insurance.” The conditions of the insurance are found in the forms and endorsements affording coverage. The declarations page attaches to and becomes a part of the policy. To display inaccurate information alters how the policy should respond.
- (2) This violation remains in the Report. The Code of Virginia requires the Companies to provide access to the records requested for the examination. The Company was unable to provide access to the requested information.

Automobile Renewal Business

- (1) The violations in this section remain in the Report. Section 38.2-305 A of the Code of Virginia requires that “Each insurance policy or contract shall specify: The conditions pertaining to the insurance.” The conditions of the insurance are found in the forms and endorsements affording coverage. The declarations page attaches to and becomes a part of the policy. To display inaccurate information alters how the policy should respond.
- (2) After further review the violation for § 38.2-502 of the Code of Virginia has been withdrawn. The Report has been renumbered to reflect this change.
- (5)i. This item remains in the Report. Each of the vehicles on the policy had a different model year factor. It was possible to have a violation on one, two or all three vehicles. In this case the company used an incorrect model year on each of the vehicles.

Homeowner New Business

- (1) This violation remains in the Report. The policy was issued with information different than the information provided in the insured’s application and the company failed to send the insured an adverse underwriting decision notice.
- (2) This violation remains in the Report. The Company issued the policy with an incorrect construction class and did not endorse the policy when the company was made aware of the correct construction type.

TERMINATIONS

Company Initiated Cancellations Automobile Policies

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

- (2) After further review the 12 violations of § 38.2-2208 A have been withdrawn. The Report has been renumbered to reflect this change.
- (3)b After further review the seven violations in this section have been withdrawn.

Company Initiated Non-Renewals Automobile Policies

This violation remains in the Report. The Companies have not provided anything additional to consider. The information provided while the examiners were on site did not include motor vehicle information substantiating the license suspension. The Companies provided access to the general information screens for this insured and not the policy inquiry screens (where the MVR information is stored). For reconsideration the Companies must provide the MVR information.

Rejected Applications – Automobile Policies

The violations for TPA056, TPA057 and TPA060 have been withdrawn. The Companies provided the AUD notice. The notice was not in substantially similar language as the prototype provided in Administrative Letter 1981-16. The failure of the notice to comply with the prototype is addressed in the Notices section of the Report.

Nonpayment of Premium – Homeowner Policies

The five violations of § 38.2-2113 A1b have been withdrawn and replaced with violations of § 38.2-2113 A 1 c. For bulk mailing receipts the statute requires that the mailing list include “**a statement by the insurer**” that the list corresponds to the mailing list retained by the company. The bulk mailing information provided by the Companies did not include the required statement. It is not enough to simply initial the document.

Rejected Applications - Homeowners

This violation remains in the Report. The Code of Virginia requires the Companies to provide access to the records requested for the examination. The Companies were unable to provide access to the requested information.

CLAIMS

Homeowner Claims

- (1) After further review the violation for CHO021 has been withdrawn.

OTHER LAW VIOLATIONS – HOMEOWNER CLAIMS

After further review this violation has been withdrawn.

NOTICES

General Statutory Notices

The violations in this section remain in the Report. The Bureau has developed a prototype with verbiage that the Companies should follow when creating the Adverse Underwriting Decision (AUD) notices. The verbiage in the Companies' notice is not substantially similar to that of the prototype. Please refer to the Common Problems Identified by the Property and Casualty Market Conduct and Consumer Services Section Handbook (Page 8) found on the Bureau's Website for detailed information on the AUD notice requirements.

Statutory Vehicle Notices

The violation of § 38.2-1905 A of the Code of Virginia remains in the Report. The notice provided does not comply with the point surcharge notice requirements. The notice provided was a mock up of a "potential point surcharge notice". The notice did not include nor did it have a space designated to indicate the accident date causing the insured's premium to increase. In addition, the notice provided shows how the Companies would handle increases at renewal but the Companies did not provide a notice to be used at new business when the insured failed to disclose an at fault accident at the time of application. Please refer to the Common Problems Identified by the Property and Casualty Market Conduct and Consumer Services Section Handbook (Page 7) found on the Bureau's Website for detailed information on the point surcharge notice requirements.

Statutory Property Notices

- (2) After further review, the violations for NSP003 and NSP007 have been withdrawn.

PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting

- (1) The Companies have advised that restitution has been made to the customers who were overcharged. Please provide evidence of the policy (identified as Bureau reference number RPA033) being cancelled flat.
- (4) Please advise the anticipated date that the Companies will start to include all of the required information on the declarations page.
- (5) Please advise the anticipated date that the Companies will make the changes to the rate and rule manual.
- (7) The Company must provide evidence of restitution to the 1832 policyholders before we are able to close this Report.

Terminations

- (1) The Company has failed to make restitution to the insured identified by the Bureau as TPA014. Please advise when this restitution will be made.
- (4) The corrective action requiring the Companies to develop an AUD notice that is substantially similar has been removed from the Termination section of the Report and is addressed in the Notices section of the Report.
- (11) The right to review by the Commissioner of Insurance should be included in the cancellation and/or nonrenewal notices as well.

Claims

- (12) The corrective action for failure to comply with the provisions of the contract was cited due to the companies' failure to comply with the Automobile Claims; this was not in reference to the Homeowner Claims.

Forms

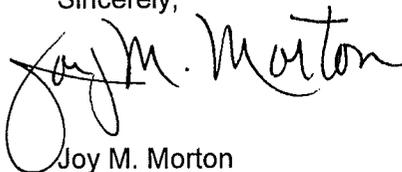
- (1) Please advise when the Companies will amend the form to ensure it contains only the information on file with the Bureau.

Statutory Notices

- (1) This item stays in the Report. Please refer to the prototype in Administrative Letter 1981-16 and amend your AUD notice accordingly.
- (2) The version of form 8.061 provided to the Bureau in response to the Data Call Manual did not include reference to an accident nor did it include a designated space for indicating the required information. The Companies should advise when the amended notice will be available for use.

Enclosed with this letter is a revised version of the Report, technical reports, the Restitution spreadsheet and any review sheets withdrawn, added or altered as a result of this review. The Companies' response to this letter is due in the Bureau's office by February 8, 2011.

Sincerely,



Joy M. Morton
Supervisor
Market Conduct Section
Property and Casualty Division
(804)371-9540
joy.morton@scc.virginia.gov

STATE CORP COMMISSION
BUREAU OF INSURANCE

11 FEB 14 AM 9:54



Kathleen Querfeld
Assistant Vice President
Business Compliance

February 11, 2011

Joy M. Morton, Supervisor
Market Conduct Section – Property & Casualty Division
Commonwealth of Virginia – Bureau of Insurance
Tyler Building
1300 East Main Street
Richmond, Virginia 23219

Reference: Market Conduct Examination
Property & Casualty Insurance Company of Hartford (NAIC#34690)
Trumbull Insurance Company (NAIC#27120)
(collectively, the “Companies”)
Examination Period: January 1, 2009 – December 31, 2009

Dear Ms. Morton:

This letter is in response to the Virginia Bureau of Insurance’s January 21, 2011 revised Market Conduct Exam Report (“Report”) received by the Companies on January 25, 2011. The Companies appreciate the opportunity to comment on the Report and have enclosed the updated excel spreadsheets and additional attachments in support of the Companies’ corrective actions.

The Bureau requested clarification regarding the method of marketing used by the Companies. The policies reviewed during this exam were part of the AARP Insurance Program, which is written on a direct response basis. The policies are sold by licensed agents who are full-time salaried employees of Hartford Fire Insurance Company and its subsidiaries, including Property and Casualty Insurance Company of Hartford and Trumbull Insurance Company. These employees are only representing The Hartford, rather than a number of different insurers that an independent agent may represent. As such, they are not issuing policies for their own account. They are solely acting in their capacity as Hartford employees and not as independent contractors. These employees do not receive any commission and no incentives are paid to these employees for soliciting this business. We sincerely regret any misunderstanding that may have occurred about the way the AARP

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Hartford, CT 06155
Telephone (860) 547 9605
Fax (877) 639 5173
Kathleen.Querfeld@thehartford.com

Insurance Program policies are sold in Virginia. Based on the foregoing, we repeat our request that the following changes be made to the report:

- On page 3, the report states that “[t]his business was developed through independent agents.” This statement should be deleted or changed to the following: “This business was developed on a direct response basis as the “AARP Auto and Homeowners Insurance Program.” Licensing and Appointment Review; and
- The following sentence should be deleted from the report: “In addition, the agent or agency to which each company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.” Alternatively, this sentence should read “the agent that issued these new business policies was checked to verify that the agent held a valid Virginia license and was appointed by the company.”

PART ONE – EXAMINERS OBSERVATIONS

Automobile New Business

- (1) The violations in this section remain in the Report. Section 38.2-305 A of the Code of Virginia requires that “Each insurance policy or contract shall specify: The conditions pertaining to the Insurance.” The conditions of the insurance are found in the forms and endorsements affording coverage. The declarations page attaches to and becomes a part of the policy. To display inaccurate information alters how the policy should respond.

Company Response: While the Company agrees that the declarations page should include accurate information, we continue to disagree that failure to do so is a violation of § 38.2-305 of the Code of Virginia because the statute does not include requirements for the declarations page.

- (2) This violation remains in the Report. The Code of Virginia requires the Companies to provide access to the records requested for the examination. The Company was unable to provide access to the requested information.

Company Response: The Company agrees that it was unable to produce a copy of the new business application. However, the Company continues to disagree that this is a violation of § 38.2-1318 of the Code of Virginia. Section 38.2-1318 C. 1. states that “[e]very company ...from whom information is sought, its officers, directors, and agents shall provide the examiners convenient access at all reasonable hours to its books, records, files, securities, accounts, papers, documents, and any or all computer or other recordings relating to the property, assets business and affairs of the company being examined ... that are relevant to the examination. The fact that the Company’s files may have lacked a level of completeness that would be optimal for purposes of file review does not constitute a violation of §38.2-1318. The essence

of this statute is that insurers must be cooperative and must not withhold information from the examiner. It is not a record retention requirement setting forth specific documents that must be kept as part of a file.

Automobile Renewal Business

- (1) The violation in this section remain in the Report. Section 38.2-305 A of the Code of Virginia requires that "Each insurance policy or contract shall specify: The conditions pertaining to the Insurance." The conditions of the insurance are found in the forms and endorsements affording coverage. The declarations page attaches to and becomes a part of the policy. To display inaccurate information alters how the policy should respond.

Company Response: While the Company agrees that the declarations page should include accurate information, the Company continues to disagree that failure to do so is a violation of § 38.2-305 of the Code of Virginia because the statute does not include requirements for the declarations page.

- (2) After further review the violation for § 38.2-502 of the Code of Virginia has been withdrawn. The Report has been renumbered to reflect this change.

Company Response: Thank you for deleting this item from the report.

- (5)i. This item remains in the Report. Each of the vehicles on the policy had a different model year factor. It was possible to have a violation on one, two or all three vehicles. In this case the company used an incorrect model year on each of the vehicles.

Company Response: The Company agrees with this finding.

Homeowner New Business

- (1) This violation remains in the Report. The policy was issued with information different than the information provided in the insured's application and the company failed to send the insured an adverse underwriting decision notice.

Company Response: The Company disagrees with this finding. The applicant requested \$2,500 Blanket Jewelry coverage on the confirmation sheet. The representative that processed the confirmation sheet when it was returned by the applicant should have added the Blanket Jewelry Coverage to the policy. The failure to include the coverage in the policy was an inadvertent processing error, not a declination of coverage requested by the applicant that would have required an adverse underwriting decision notice. In fact, once the error was discovered, the requested coverage was added to the policy back to the effective date. Based on our discussion on February 7, 2011, the Bureau of Insurance agreed to delete this item from the report.

- (2) This violation remains in the Report. The Company issued the policy with an incorrect construction class and did not endorse the policy when the company was made aware of the correct construction type.

Company Response: The Company agrees with this finding.

TERMINATIONS

Company Initiated Cancellations Automobile Policies

NOTICE MAILED AFTER THE 59TH DAY

- (2) After further review the 12 violations of § 38.2-2208 A have been withdrawn. The Report has been renumbered to reflect this change.

Company Response: Thank you for deleting this item from the report.

- (3)b After further review the seven violations in this section have been withdrawn.

Company Response: Thank you for deleting this item from the report.

Company Initiated Non-Renewals Automobile Policies

This violation remains in the Report. The Companies have not provided anything additional to consider. The information provided while the examiners were on site did not include motor vehicle information substantiating the license suspension. The Companies provided access to the general information screens for this insured and not the policy inquiry screens (where the MVR information is stored). For reconsideration the Companies must provide the MVR information.

Company Response: The Company is unable to produce any additional information.

Rejected Applications – Automobile Policies

The violations for TPA056, TPA057 and TPA060 have been withdrawn. The Companies provided the AUD notice. The notice was not in substantially similar language as the prototype provided in Administrative Letter 1981-16. The failure of the notice to comply with the prototype is addressed in the Notices section of the Report.

Company Response: Thank you for deleting this item from the report.

Nonpayment of Premium – Homeowner Policies

The five violations of § 38.2-2113 A1b have been withdrawn and replaced with violations of § 38.2-2113 A1c. For bulk mailing receipts the statute requires that the mailing list include “a statement by the insurer” that the list corresponds to the mailing list retained by the company. The bulk mailing information provided by the Companies did not include the required statement. It is not enough to simply initial the document.

Company Response: The Company agrees to modify the certificate of mailing process.

Rejected Applications – Homeowners

This violation remains in the Report. The Code of Virginia requires the Companies to provide access to the records requested for the examination. The Companies were unable to provide access to the requested information.

Company Response: Although the Company agrees that this application was not provided, we continue to disagree that this is a violation of § 38.2-1318. Section 38.2-1318 C. 1. states that “[e]very company ... from whom information is sought, its officers, directors, and agents shall provide the examiners convenient access at all reasonable hours to its books, records, files, securities, accounts, papers, documents, and any or all computer or other recordings relating to the property, assets business and affairs of the company being examined ... that are relevant to the examination. The fact that the Company’s files may have lacked a level of completeness that would be optimal for purposes of file review does not constitute a violation of §38.2-1318. The essence of this statute is that insurers must be cooperative and must not withhold information from the examiner. It is not a record retention requirement setting forth specific documents that must be kept as part of a file.

CLAIMS

Homeowner Claims

- (1) After further review the violation for CHO021 has been withdrawn.

OTHER LAW VIOLATIONS – HOMEOWNER CLAIMS

After further review this violation has been withdrawn.

Company Response: Thank you for withdrawing this violation. The Company was cited for an overpayment as a result of this violation. Please remove reference to the \$14,275.35 overpayment on Page 20 of the report.

NOTICES

General Statutory Notices

The violations in this section remain in the Report. The Bureau has developed a prototype with verbiage that the Companies should follow when creating the Adverse Underwriting Decision (AUD) notices. The verbiage in the Companies' notice is not substantially similar to that of the prototype. Please refer to the Common Problems Identified by the Property and Casualty Market Conduct and Consumer Services Section Handbook (Page 8) found on the Bureau's Website for detailed information on the AUD notice requirements.

Company Response: The Company agrees to modify its Adverse Underwriting Decision Notice in accordance with Administrative Letter 1981-16.

Statutory Vehicle Notices

The violation of § 38.2-1905 A of the Code of Virginia remains in the Report. The notice provided does not comply with the point surcharge notice requirements. The notice provided was a mock up of a "potential point surcharge notice". The notice did not include nor did it have a space designated to indicate the accident date causing the insured's premium to increase. In addition, the notice provided shows how the Companies would handle increases at renewal but the Companies did not provide a notice to be used at new business when the insured failed to disclose an at fault accident at the time of application. Please refer to the Common Problems Identified by the Property and Casualty Market Conduct and Consumer Services Section Handbook (Page 7) found on the Bureau's Website for detailed information on the point surcharge notice requirements.

Company Response: The Company agrees to review the surcharge letter and make modifications to address the issues raised in the report.

Statutory Property Notices

- (2) After further review, the violations for NSP003 and NSP007 have been withdrawn.

Company Response: Thank you for deleting this item from the report.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting

- (1) The Companies have advised that restitution has been made to the customers who were overcharged. Please provide evidence of the policy (identified as Bureau reference number RPA033) being cancelled flat.

Company Response: Please see the attached documents that indicate this policy was cancelled flat back to June 1, 2009.

- (4) Please advise the anticipated date that the Companies will start to include all of the required information on the declarations page.

Company Response: The Company estimates the declarations page will include all the required information by the end of the 3rd quarter 2011. If any delays arise as the Company makes these changes, the Company will communicate this to the Bureau.

- (5) Please advise the anticipated date that the Companies will make the changes to the rate and rule manual.

Company Response: The Company estimates the rate and rule manuals will be updated and filed with the Bureau by the end of the 3rd quarter 2011. If any delays arise as the Company makes these changes, the Company will communicate this to the Bureau.

- (6) The Company must provide evidence of restitution to the 1832 policyholders before we are able to close this Report.

Company Response: The Company will provide the Bureau with evidence of restitution to the 1832 policyholders once the restitution efforts are complete. The Company is currently scoping out the restitution process and will provide the Bureau with an update by April 1, 2011.

Terminations

- (1) The Company has failed to make restitution to the insured identified by the Bureau as TPA014. Please advise when this restitution will be made.

Company Response: Please see the attached document detailing the restitution made to the customer that corresponds to TPA014. The payment was made on December 13, 2010, for \$14.00. The Company recognizes that the amount to be paid to the customer was \$14.84, and will process another refund of \$.84 to complete the restitution process.

- (4) The corrective action requiring the Companies to develop an AUD notice that is substantially similar has been removed from the Termination section of the Report and is addressed in the Notices section of the Report.

Company Response: The Companies' response is set forth below in Statutory Notices, Item 1.

- (11) The right to review by the Commissioner of Insurance should be included in the cancellation and/or nonrenewal notices as well.

Company Response: The Company will make the requested changes to the cancellation and/or nonrenewal notices by the end of the 3rd quarter 2011. If any delays arise as the Company makes these changes, the Company will communicate this to the Bureau.

Claims

- (12) The corrective action for failure to comply with the provisions of the contract was cited due to the companies' failure to comply with the Automobile Claims: this was not in reference to the Homeowner Claims.

Company Response: Thank you for the clarification. Please remove the Homeowners corrective action in the Companies' initial response on page 34 and replace it with the following, which addresses Automobile Claims:

a. Failure to include lien-holder on the check: The Companies will conduct ongoing reviews to identify opportunities for improvement, identify training needs, verify adherence to Virginia requirements and validate that the procedures implemented through the Companies' training program have been fully implemented by claim staff.

b. The insured was paid more than the insured was entitled to receive under the terms of the policy:

Issue #1: A \$200 UMPD deductible was applied to a collision claim resulting in an overpayment. To address this finding, training was provided in May 2010 and October 2010 with specific emphasis on Virginia claim handling, including the proper application of collision and UMPD coverage/deductibles. In addition, the Companies conduct ongoing reviews to validate adherence to Virginia requirements and to address opportunities for improvement when necessary.

Issue #2: The \$10 title fee was included when the total loss was owner retained. To address this finding, the Companies' total loss calculator was corrected during the examination to exclude the \$10 title fee on owner retained total losses.

Forms

- (1) Please advise when the Companies will amend the form to ensure it contains only the information on file with the Bureau.

Company Response: The Company will make the change to the form to ensure it contains only the information on file with the Bureau by the end of the 3rd quarter 2011. If any delays arise as the Company make this change, the Company will communicate this to the Bureau.

Statutory Notices

- (1) This item stays in the Report. Please refer to the prototype in Administrative Letter 1981-16 and amend your AUD notice accordingly.

Company Response: The Company will revise the AUD notice to include the required language in Administrative Letter 1981-16. The Company estimates this will be completed by the end of the 3rd quarter 2011. If any delays arise as the Company make this change, the Company will communicate this to the Bureau.

- (2) The version of form 8.061 provided to the Bureau in response to the Data Call Manual did not include reference to an accident nor did it include a designated space for indicating the required information. The Companies should advise when the amended notice will be available for use.

Company Response: The Company will revise the surcharge notice (8.061) to include a reference to an accident. The Company estimates this will be completed by the end of the 3rd quarter 2011. If any delays arise as the Company make this change, the Company will communicate this to the Bureau.

The Companies appreciate the opportunity to respond to the report and look forward to working with the Bureau to conclude this examination. Please direct future correspondence to Jackie Apanowitch, Market Conduct Specialist, HO-1-09, Hartford Plaza, Hartford, Connecticut, 06155, because I have assumed a new position within Commercial Markets Compliance.

Sincerely,



Kathleen Querfeld
Assistant Vice President
Business Compliance

KQ:sjandbc
Encl.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
<http://www.scc.virginia.gov/division/boi>

March 3, 2011

VIA UPS 2ND DAY DELIVERY

Jackie Apanowitch
Market Conduct Specialist
The Hartford
One Hartford Plaza, HO-1-09
Hartford, CT 06155

RE: Market Conduct Examination
Property & Casualty Insurance Company of Hartford (NAIC# 34690)
Trumbull Insurance Company (NAIC# 27120)
Examination Period: January 1, 2009 - December 31, 2009

Dear Ms. Apanowitch:

The Bureau of Insurance (Bureau) has reviewed the February 11, 2011 and February 17, 2011 responses from The Hartford regarding the Revised Market Conduct Report.

The Bureau has referenced only those items in which the Companies disagree with the Bureau's findings, or those items that have changed in the Report. This response follows the format of the Report.

COMPANY PROFILE

Based upon the companies' response the Report has been amended to reflect agent employees instead of independent agents.

PART ONE – EXAMINERS OBSERVATIONS

Automobile New Business

- (1) The violations in this section remain in the Report. The Companies' have not provided anything additional that would cause the Bureau to reconsider its initial findings in this area.
- (2) This violation remains in the Report. The Companies' have not provided anything additional that would cause the Bureau to reconsider its initial findings in this area.

Automobile Renewal Business

- (1) The violations in this section remain in the Report. The Companies' have not provided anything additional that would cause the Bureau to reconsider its initial findings in this area.

Homeowner New Business

- (1) After further review, this violation has been removed from the Report. The Report has been renumbered to reflect this change.

TERMINATIONS

Non-Payment of Premium - Automobile

The Companies provided proof of mailings in their letter February 17, 2011. The violations cited for invalid proof of mailings have been withdrawn from the Report.

Non-Payment of Premium – Homeowners

The Companies provided proof of mailings in their letter February 17, 2011. The violations cited for invalid proof of mailings have been withdrawn from the Report.

Rejected Applications - Homeowners

This violation remains in the Report. The Companies' have not provided anything additional that would cause the Bureau to reconsider its initial findings in this area.

Claims

Homeowner Claims

- (1) The Report has been revised to remove reference to an overpayment.

AGENCY

The violations cited in this section of the Report have been withdrawn.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting

- (1) The Companies have provided evidence that the policy cancelled flat.
- (4) The Bureau requests that the Companies make every effort to complete the changes by the end of the 2nd quarter of 2011.
- (5) The Bureau requests that the Companies make every effort to complete the changes by the end of the 2nd quarter of 2011.
- (7) The Report will remain open until the Companies provide the Bureau with evidence of restitution to the 1832 policyholders. The Companies should make restitution, plus 6% simple interest, no later than March 15, 2011.

Terminations

- (1) The Companies have not provided evidence that full restitution has been made on TPA014. Please advise when this restitution will be made.
- (9) The Corrective Action Plan regarding proof of mailing to insureds has been removed from the Report.
- (11) The Bureau requests that the Companies make every effort to complete the changes by the end of the 2nd quarter of 2011.

Claims

- (1) The restitution information for CPA008 indicates the Company failed to include the 6% interest in the check issued to the claimant. Please advise when the interest will be paid.

Forms

- (1) The Bureau requests that the Companies make every effort to complete the changes by the end of the 2nd quarter of 2011.

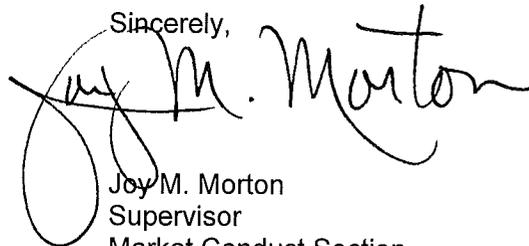
Statutory Notices

- (1) The Bureau requests that the Companies make every effort to complete the changes by the end of the 2nd quarter of 2011.
- (2) The Bureau requests that the Companies make every effort to complete the changes by the end of the 2nd quarter of 2011.

We have made the changes noted above to the Market Conduct Examination Report. Once we have received and reviewed the Companies' responses to these changes, we will be in a position to make a settlement offer.

Enclosed with this letter is a revised version of the Report, technical reports, the Restitution spreadsheet and any review sheets withdrawn, added or altered as a result of this review. The Companies' response to this letter is due in the Bureau's office by March 20, 2011.

Sincerely,



Joy M. Morton
Supervisor
Market Conduct Section
Property and Casualty Division
(804)371-9540
joy.morton@scc.virginia.gov



March 18, 2011

Joy M. Morton, Supervisor
Market Conduct Section – Property & Casualty Division
Commonwealth of Virginia – Bureau of Insurance
Tyler Building
1300 East Main Street
Richmond, Virginia 23219

Reference: Market Conduct Examination
Property & Casualty Insurance Company of Hartford (NAIC#34690)
Trumbull Insurance Company (NAIC#27120) (collectively, the “Companies”)
Examination Period: January 1, 2009 – December 31, 2009

Dear Ms. Morton:

This letter is in response to the Virginia Bureau of Insurance’s March 3, 2011 revised Market Conduct Exam Report (“Report”) received by the Companies on March 7, 2011.

In regards to Part One, Examiners Observations:

Automobile New Business: The Companies continue to disagree with these findings as set forth more fully in our letter dated February 11, 2011.

Automobile Renewal Business: The Companies continue to disagree with this finding as set forth more fully in our letter dated February 11, 2011.

Rejected Applications – Homeowners: The Companies continue to disagree with this finding as set forth more fully in our letter dated February 11, 2011.

In regards to Part Two, Corrective Action Plan:

Rating and Underwriting: The Companies will enact the changes described in the Report by the end of the second quarter 2011. Further, in regards to (7), the Companies will provide evidence of restitution to 1,832 policyholders by April 15, 2011 as previously discussed with the Bureau.

Terminations: Enclosed is an updated Excel spreadsheet showing that full restitution was paid on TPA014. Further, in regards to (11), the Companies will enact the changes described in the Report by the end of the second quarter 2011.

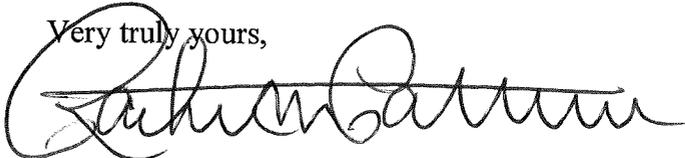
Claims: Enclosed is an updated Excel spreadsheet showing that interest was issued on CPA008.

Forms: The Companies will enact the changes described in the Report by the end of the second quarter 2011.

Statutory Notices: The Companies will enact the changes described in the Report by the end of the second quarter 2011.

Thank you for the further opportunity to respond to the Report. Please contact me should you have any questions. I can be reached directly at 860-547-2112.

Very truly yours,

A handwritten signature in black ink, appearing to read "Rachel M. Pattison". The signature is written in a cursive style with a large initial "R" and "P".

Rachel M. Pattison, Esq.
Assistant Counsel
One Hartford Plaza
Law Department, HO-1-09
Hartford, CT 06155
Telephone: 860-547-2112
Rachel.Pattison@thehartford.com

Enclosure

Andrea Baytop

From: Karen Gerber
Sent: Thursday, April 14, 2011 2:31 PM
To: Andrea Baytop
Subject: FW: Virginia SDIP Recovery
Attachments: VA SDIP Recovery.zip

Karen S. Gerber
Bureau of Insurance
Property & Casualty Division, Market Conduct Section
Virginia State Corporation Commission
1300 East Main Street, Richmond, VA 23218
(804) 371-9143
Karen.Gerber@scc.virginia.gov

From: Jean, Shawn P (Law) [<mailto:Shawn.Jean@thehartford.com>]
Sent: Thursday, April 14, 2011 12:35 PM
To: Joy Morton; Karen Gerber
Cc: Apanowitch, Jacqueline M. (Law); Burrill, Jennifer L. (Law); Pattison, Rachel M. (Law)
Subject: Virginia SDIP Recovery

Virginia SDIP Recovery

The recovery has been completed for the rating issue that was identified during the 2010 exam. This issue involved an increased premium charge that was applied to policies that insured more cars than drivers. The increased premium charge was applied to the excess vehicle due to accidents and/or violations. A total of 1,795 policy holders received refunds totaling \$98,050.22, including 6% simple interest.

The actual number of affected policy holders is less than the original estimate of 1,832. There are several reasons why the actual number is lower:

- Some policies canceled flat;
- Some policies had the condition for a such a short period of time (e.g., 1 day) that the premium did not change;
- Some policies were issued with the condition, however, by the time the policy went into effect, a change was made to eliminate the condition. Therefore, the premium was correct by the time the policy went into effect; or
- Some policies had a change made to add the excess vehicle and remove it on the same effective date, resulting in no affect to the premium.

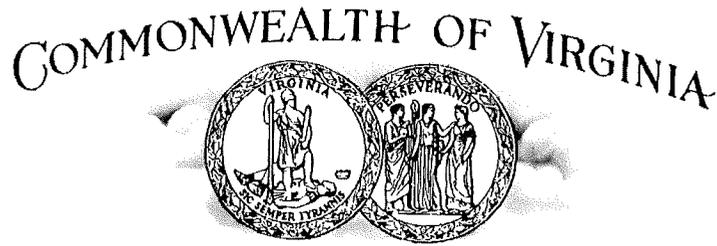
Please see the attached list of policies. The password is the same password that was used for all of the other encrypted documents during the exam. If there are any questions, please contact me.

<<VA SDIP Recovery.zip>>

Shawn Jean
Compliance Manager
The Hartford
200 Hopmeadow St.
Simsbury, CT 06089
860-843-7741

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JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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April 21, 2011

VIA UPS 2nd DAY DELIVERY

Jackie Apanowitch
Market Conduct Specialist
The Hartford
One Hartford Plaza, HO-1-09
Hartford, CT 06155

RE: Market Conduct Examination
Property & Casualty Insurance Company of Hartford (NAIC# 34690)
Trumbull Insurance Company (NAIC# 27120)
Examination Period: January 1, 2009 - December 31, 2009

Dear Ms. Apanowitch:

The Bureau of Insurance (Bureau) has concluded its review of the companies' response of March 18, 2011. Based upon the Bureau's review of the companies' response, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Property and Casualty Insurance Company of Hartford and Trumbull Insurance Company (Report).

Based on the Bureau's review of the Report and the companies' responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

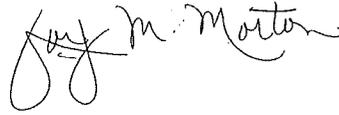
Sections 38.2-305 A; 38.2-317 A; 38.2-510 A 1; 38.2-510 A 10; 38.2-610 A; 38.2-1318; 38.2-1833; 38.2-1905 A; 38.2-1905 C; 38.2-1906 A; 38.2-1906 D; 38.2-2118; 38.2-2208 B; 38.2-2212 D; 38.2-2212 E; 38.2-2214; 38.2-2220; 38.2-2234 B; and 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 A, 14 VAC 5-400-70 D and 14 VAC 5-400-80 D of the Virginia Administrative Code.

Violations of the laws mentioned above provide for monetary penalties of up to \$5,000 for each violation as well as suspension or revocation of an insurer's license to engage in the insurance business in Virginia.

Ms. Apanowitch
April 21, 2011
Page 2

In light of the above, the Bureau will be in further communication with you shortly regarding the appropriate disposition of this matter.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is fluid and cursive, with the first name "Joy" being particularly prominent.

Joy M. Morton
Supervisor
Market Conduct Section
Property & Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

JMM/sb
Enclosure

STATE CORP COMMISSION
BUREAU OF INSURANCE

11 MAY 23 PM 1:06



May 20, 2011

Mary M. Bannister
Deputy Commissioner, Property & Casualty Division
Commonwealth of Virginia, Bureau of Insurance
Tyler Building, 5th Floor
1300 East Main Street
Richmond, VA 23219

SENT VIA UPS OVERNIGHT

Re: Market Conduct Examination
Property & Casualty Insurance Company of Hartford (NAIC#34690)
Trumbull Insurance Company (NAIC#27120) (collectively, the "Companies")

Dear Ms. Bannister:

Enclosed herewith please find payment of \$26,100 to settle the above-referenced market conduct examination.

As attested to in the attached settlement offer, the Companies agree to comply with the corrective action plan set forth in correspondence of February 17, 2011 and March 18, 2011. The Companies understand that the right to a hearing is waived by agreeing to this offer of settlement.

Please contact me should you have any questions. I can be reached directly at 860-547-2112.

Very truly yours,

A handwritten signature in black ink, appearing to read "Rachel M. Pattison". The signature is fluid and cursive, written over a horizontal line.

Rachel M. Pattison, Esq.
Associate Counsel
One Hartford Plaza
Law Department HO-1-09
Hartford, CT 06155
Telephone: 860-547-2112
Rachel.Pattison@thehartford.com

Enclosure
3983762_1

Mary Bannister
Deputy Commissioner
Property and Casualty
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23218

400043

RE: Market Conduct Examination Settlement Offer

Dear Ms. Bannister:

This will acknowledge receipt of the Bureau of Insurance's letter dated May 2, 2011, concerning the above referenced matter.

We wish to make a settlement offer on behalf of the insurance companies listed below for the alleged violations of Sections 38.2-305 A; 38.2-317 A; 38.2-510 A 1; 38.2-510 A 10; 38.2-610 A; 38.2-1318; 38.2-1833; 38.2-1905 A; 38.2-1905 C; 38.2-1906 A; 38.2-1906 D; 38.2-2118; 38.2-2208 B; 38.2-2212 D; 38.2-2212 E; 38.2-2214; 38.2-2220; 38.2-2234 B; and 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 A 14 VAC 5-400-70 D and 14 VAC 5-400-80 D of the Virginia Administrative Code.

1. We enclose with this letter a check made payable to the Treasurer of Virginia in the amount of \$26,100.00.
2. We agree to comply with the corrective action plan set forth in the companies' letters of February 17, 2011 and March 18, 2011.
3. We confirm that restitution was made in accordance with the companies' letters of February 17, 2011 and March 18, 2011.
4. We further acknowledge the companies' right to a hearing before the State Corporation Commission in this matter and waive the right if this offer of settlement is accepted by the State Corporation Commission.

This offer is being made solely for the purpose of a settlement and does not constitute, nor should it be construed as, an admission of any violation of law.

Sincerely,

Property and Casualty Insurance Company of Hartford
Trumbull Insurance Company



(Signed)

STEPHEN B. HARRIS

(Type or Print Name)

VP - CORPORATE CHIEF COMPLIANCE OFFICER

(Title) THE HARTFORD FINANCIAL SERVICES GROUP, INC.

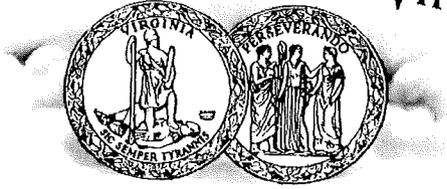
5/13/2011

(Date)

Enclosure

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi

Property & Casualty Insurance Company of Hartford and Trumbull Insurance Company have tendered to the Bureau of Insurance the settlement amount of \$26,100 by their check numbered 0100432397 dated May 17, 2011, copies of which are located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

110610330

AT RICHMOND, JUNE 10, 2011

CLERK'S OFFICE

2011 JUN 10 PM 1:38

DOCUMENT CONTROL

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2011-00107

PROPERTY & CASUALTY INSURANCE
COMPANY OF HARTFORD

and

TRUMBULL INSURANCE COMPANY,

Defendants

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance, it is alleged that the Defendants, duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia, violated §§ 38.2-305 A, 38.2-610 A and 38.2-2118 of the Code of Virginia by failing to accurately provide the required notices to insureds; violated § 38.2-317 A by delivering or issuing for delivery insurance policies or endorsements without having filed such policy forms or endorsements with the Commission at least thirty days prior to their effective date; violated §§ 38.2-510 A 1 and 38.2-510 A 10, as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 A, 14 VAC 5-400-70 D, and 14 VAC 5-400-80 D, by failing to properly handle claims with such frequency as to indicate a general business practice; violated § 38.2-1318 by failing to properly terminate insurance policies; violated § 38.2-1833 by paying commissions for services as an agent to persons who were not properly licensed and appointed; violated § 38.2-1905 A by failing to notify insureds in writing when their policies were surcharged for at-fault accidents; violated § 38.2-1905 C by assigning points under a safe-driver insurance policy to a vehicle other than the

vehicle customarily driven by the operator responsible for incurring points; violated §§ 38.2-1906 A and 38.2-1906 D by making or issuing insurance contracts or policies not in accordance with the rate and supplementary rate information filings in effect for the Defendants; violated §§ 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, and 38.2-2214 by failing to properly terminate insurance policies; violated § 38.2-2220 by using forms which did not contain the precise language of the standard forms filed and adopted by the Commission; and violated § 38.2-2234 B by using credit information from a consumer report for tier placement or rating renewal policies of motor vehicle insurance issued in the Commonwealth without updating the credit information at least once every three years.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code of Virginia to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke the Defendants' licenses upon a finding by the Commission, after notice and opportunity to be heard, that the Defendants have committed the aforesaid alleged violations.

The Defendants have been advised of their right to a hearing in this matter, whereupon the Defendants, without admitting any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have tendered to the Commonwealth of Virginia the sum of Twenty-six Thousand One Hundred Dollars (\$26,100), waived their right to a hearing, agreed to comply with the Corrective Action Plan set forth in their letters to the Bureau of Insurance dated February 17, 2011, and March 18, 2011, and confirmed that restitution was made to 1,825 consumers in the amount of One Hundred Thousand Two Hundred Eighty-six Dollars and Thirty-six Cents (\$100,286.36).

The Bureau of Insurance has recommended that the Commission accept the offer of settlement of the Defendants pursuant to the authority granted the Commission in § 12.1-15 of the Code of Virginia.

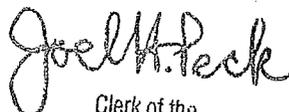
NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Bureau of Insurance, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

- (1) The offer of the Defendants in settlement of the matter set forth herein be, and it is hereby, accepted; and
- (2) The papers herein be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to Rachel M. Pattison, Esquire, Associate Counsel, The Hartford, One Hartford Plaza, Law Department HO-1-09, Hartford, Connecticut 06155; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Mary M. Bannister.

A True Copy
Taste:


Clerk of the
State Corporation Commission