

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of the Proposed)	
Adoption of the Market Conduct)	Docket No. 2850-MC
Review Report of Travelers)	
Indemnity Company of Illinois)	

CONSENT ORDER

NOW COMES on for formal disposition the matter of the proposed adoption of the market conduct review report of Travelers Indemnity Company of Illinois. This matter is brought before the Commissioner of Insurance for adoption, rejection, or modification pursuant to the provisions of Kansas Statutes Annotated (K.S.A.) 40-222.

I, Kathleen Sebelius, the duly elected, qualified, and acting Commissioner of Insurance of the State of Kansas, having fully considered and reviewed the examination report, together with all written submissions, applicable rebuttals, and all relevant portions of the examiners' work papers, and further being fully advised on all premises, hereby find:

Findings of Fact

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.
2. A market conduct review of Travelers Indemnity Company of Illinois was undertaken by the Kansas Insurance Department and was completed on December 23, 1999.
3. Within thirty (30) days following the completion of the examination, the examiner-in-charge tendered and filed with the Kansas Insurance Department a verified written report of the market conduct review, copy of which report is attached as Exhibit A and incorporated herein by reference, which report states that Travelers Indemnity Company of Illinois failed tests two and three of the exam.

4. Within thirty (30) days following receipt of the verified written report, the Kansas Insurance Department transmitted the report to Travelers Indemnity Company of Illinois with a duly executed notice advising the company of its opportunity to prepare and submit to the Kansas Insurance Department a written submission or rebuttal with respect to any and all matters contained in the report. Travelers Indemnity Company of Illinois was further advised that any written submission or rebuttal needed to be filed with the Kansas Insurance Department no later than February 15, 2000.

5. Travelers Indemnity Company of Illinois filed a written rebuttal to the findings of tests two and three on February 7, 2000.

6. Within thirty (30) days following written response, the Commissioner of Insurance fully reviewed the report together with any written response provided by Travelers Indemnity Company of Illinois. The Commissioner of Insurance further reviewed all relevant work papers.

7. The company took exception to the matters contained in the verified report including the statement of failure of tests two and three, but enters into this Consent Order voluntarily to conserve the resources of the company and the Kansas Insurance Department.

Conclusions of Law

8. K.S.A. 40-222(k)(2) provides:

Within 30 days of the end of the period allowed for the receipt of written submissions or rebuttals, the commissioner shall fully consider and review the report, together with any written submissions or rebuttals and any relevant portions of the examiners workpapers and enter an order:

(A) Adopting the examination report as filed or with modification or corrections. If the examination report reveals that the company is operating in violation of any law, regulation or prior order of the

commissioner, the commissioner may order the company to take any action the commissioner considers necessary and appropriate to cure such violations; or

(B) rejecting the examination report with directions to the examiners to reopen the examination for purposes of obtaining additional data, documentation or information, and refiling pursuant to subsection (k); or

(C) call and conduct a fact-finding hearing in accordance with K.S.A. 40-281 and amendments thereto for purposes of obtaining additional documentation, data, information and testimony.

9. K.S.A. 40-2407 "Cease and desist orders; penalties for violation:"

(a)(1)(1) Payment of a monetary penalty of not more than \$1,000 for each and every act or violation; but not to exceed an aggregate penalty of \$10,000, unless the person knew or reasonably should have known such person was in violation of this act, in which case the penalty shall be not more than \$5,000 for each and every act or violation, but not to exceed an aggregate of \$50,000 in any six-month period;

10. Based upon the Findings of Fact enumerated in paragraphs #1 through #7 above, the conduct of affairs examination report of Travelers Indemnity Company of Illinois should be adopted.

Policy Reasons

11. It is stated public policy of the State of Kansas that whenever the Commissioner of Insurance deems it necessary, an examination of the affairs and financial condition of any insurance company in the process of organization, applying for admission, or doing business in this State can be undertaken. In all cases, such an examination must occur once every five (5) years. Through the examination process, the insurance consuming public will be well served and protected.

IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:

1. The market conduct review of Travelers Indemnity Company of Illinois is hereby adopted.

2. The Commissioner hereby orders Travelers Indemnity Company of Illinois to pay a penalty of \$4,833.33 within thirty (30) days of the date of this Consent Order.

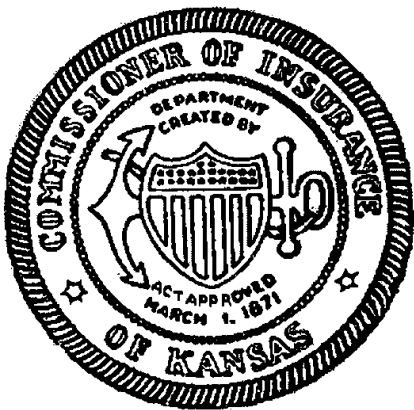
3. The Commissioner of Insurance acknowledges Travelers Indemnity Company of Illinois' discontinuance of use of its Y2K liability amendatory endorsements to its policies issued after June 1, 2000.

4. The Commissioner further orders pursuant to K.S.A. 40-222(k)(3) that the company file written affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

Waiver of Rights of Hearing and Appeal

For the purposes of this Consent Order, Travelers Indemnity Company of Illinois waives its rights to a formal adjudicative proceeding as provided for in the Kansas Administrative Procedure Act (K.S.A. 77-501, *et seq.*) and K.S.A. 40-222(k)(2)(A).

IT IS SO ORDERED THIS 16th DAY OF NOVEMBER, 2000, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



_____/s/ Kathleen Sebelius_____

Kathleen Sebelius

Commissioner of Insurance

BY:

_____/s/ Kathy Greenlee_____

Kathy Greenlee

General Counsel

APPROVED:

/s/ Maryellen Prudhomme_____

Maryellen Prudhomme

Chief Compliance Officer

Travelers Indemnity Company of Illinois