

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

In the Matter of

THE AUTOMOBILE INSURANCE CO. OF HARTFORD, CT)	
THE STANDARD FIRE INSURANCE CO.)	
THE CHARTER OAK FIRE INSURANCE CO.)	
THE PHOENIX INSURANCE CO.)	
THE TRAVELERS INDEMNITY CO.)	Docket No. 4240 -MC
THE TRAVELERS INDEMNITY CO. OF AMERICA)	
THE TRAVELERS HOME & MARINE INSURANCE CO.)	
TRAVCO INSURANCE CO.)	
TRAVELERS COMMERCIAL INS. CO. AND)	
TRAVELERS PROPERTY CASUALTY INSURANCE CO.)	

ORDER

Pursuant to the authority conferred upon the Commissioner of Insurance in K.S.A. 40-222, Sandy Praeger, the duly elected, qualified and serving Commissioner of Insurance hereby adopts the Kansas Insurance Department’s Report of Market Conduct Examination of The Automobile Insurance Company of Hartford, Connecticut, The Standard Fire Insurance Company, The Charter Oak Fire Insurance Company, The Phoenix Insurance Company, The Travelers Indemnity Company, The Travelers Indemnity Company of America, The Travelers Home & Marine Insurance Company, Travco Insurance Company, Travelers Commercial Insurance Company and Travelers Property Casualty Insurance Company (collectively “Travelers”) as of July 31, 2008, (attached herein as Attachment A) by incorporating the same in its entirety with specific findings stated as follows. This Order shall become effective as a Final

In the Matter of
THE AUTOMOBILE INSURANCE CO. OF HARTFORD, CT
THE STANDARD FIRE INSURANCE CO.
THE CHARTER OAK FIRE INSURANCE CO.
THE PHOENIX INSURANCE CO.
THE TRAVELERS INDEMNITY CO.
THE TRAVELERS INDEMNITY CO. OF AMERICA
THE TRAVELERS HOME & MARINE INSURANCE CO.
TRAVCO INSURANCE CO.
TRAVELERS COMMERCIAL INS. CO. AND
TRAVELERS PROPERTY CASUALTY INSURANCE CO.

Order, without further notice, upon the expiration of the fifteen (15) day period if no request for a hearing is made, pursuant to K.S.A. 77-542.

Findings of Fact

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.
2. The Kansas Insurance Department (“KID”) completed a targeted market conduct examination of Travelers. The period of examination was January 1, 2007 through July 31, 2008.
3. On or about May 18, 2009, the Examiner-in-Charge provided Travelers with a draft of the Market Conduct Examination with request for Travelers’ response in the form of written comments, additions, or acceptance.
4. Travelers responded with written comments regarding the draft report.
5. The Kansas Commissioner of Insurance has since fully reviewed said Kansas report which is attached herein as Attachment A.
6. Tests for Underwriting and Rating.
 - a. Standard 1 of the General Underwriting and Rating Standards reviews to ensure the rates charged for the policy coverage are in accordance with filed rates (if applicable) or the company rating plan.
 - i. The formula programmed into the Quantum homeowners system was slightly different than the filed formula with KID and resulted in either an overcharge or undercharge to the consumer. This affected 94% of

their homeowners book of business. Travelers is in violation of K.S.A. 40-955(a) and K.S.A. 40-955(g).

- ii. Travelers failed standard 1.
- b. Standard 16 of the Specific Property & Casualty Underwriting and Rating Standards reviews that cancellation/nonrenewal notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other parties to the contract
 - i. The wording on Travelers auto cancellation notices, PL2900 and PL2901, did not have the complete wording on the notice as outlined in K.S.A. 40-3118(b).
 - ii. Travelers homeowners cancellation notice, PL-4201A, states “Any excess of paid premium (if not tendered) will be refunded on demand”. This is a violation of K.S.A. 40-2,112(d).
 - iii. The company failed standard 16.

Applicable Law

K.S.A. 40-222 states, in pertinent part:

- (a) Whenever the commissioner of insurance deems it necessary but at least once every five years, the commissioner may make, or direct to be made, a financial examination of any insurance company in the process of organization, or applying for admission or doing business in this state. In addition, at the commissioner's discretion the commissioner may make, or direct to be made, a market regulation examination of any insurance company doing business in this state.

K.S.A. 40-955 states, in pertinent part:

- (a) Every insurer shall file with the commissioner, except as to inland marine risks where general custom of the industry is not to use manual rates or rating plans, every manual of classifications, rules and rates, every rating plan, policy form and every modification of any of the foregoing which it proposes to use. Every such filing shall indicate the proposed effective date and the character and extent of the coverage contemplated and shall be accompanied by the information upon which the insurer supports the filings. A filing and any supporting information shall be open to public inspection after it is filed with the commissioner. An insurer may satisfy its obligations to make such filings by authorizing the commissioner to accept on its behalf the filings made by a licensed rating organization or another insurer. Nothing contained in this act shall be construed to require any insurer to become a member or subscriber of any rating organization.

- (g) No insurer shall make or issue a contract or policy except in accordance with filings which have been filed or approved for such insurer as provided in this act.

K.S.A. 40-3118 states, in pertinent part:

- (b) Except as otherwise provided in K.S.A. 40-276, 40-276a and 40-277, and amendments thereto, and except for termination of insurance resulting from nonpayment of premium or upon the request for cancellation by the insured, no motor vehicle liability insurance policy, or any renewal thereof, shall be terminated by cancellation or failure to renew by the insurer until at least 30 days after mailing a notice of termination, by certified or registered mail or United States post office certificate of mailing, to the named insured at the latest address filed with the insurer by or on behalf of the insured. Time of the effective date and hour of termination stated in the notice shall become the end of the policy period. Every such notice of termination sent to the insured for any cause whatsoever shall include on the face of the notice a statement that financial security for every motor vehicle covered by the policy is required to be maintained continuously throughout the registration period, that the operation of any such motor vehicle without maintaining continuous financial security therefor is a class B misdemeanor and shall be subject to a fine of not less than \$300 and not more than \$1,000 and that the registration for any such motor vehicle for which continuous financial security is not

provided is subject to suspension and the driver's license of the owner thereof is subject to suspension.

K.S.A. 40-2,112 states, in pertinent part:

- (d) The company, health maintenance organization or the agent, whichever in possession of the money, shall refund to the applicant or individual proposed for coverage, the difference between the payment and the earned premium, if any, in the event of a declination of insurance coverage, termination of insurance coverage, or any other adverse underwriting decision.

Conclusions of Law

Based upon the Findings of Fact enumerated in Paragraphs #1 through #6 and the Applicable Law cited above,

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

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.
2. The Kansas Insurance Department's ("KID") Report of Market Conduct Examination of Travelers as of July 31, 2008 is herein adopted in its entirety.
3. Travelers' failure to comply with the requirements of Tests for General Underwriting and Rating Standard 1 constitutes violations of K.S.A. 40-955.
4. Pursuant to K.S.A. 40-2,125(a)(1), Travelers shall pay a monetary penalty of Eight Thousand Dollars and No Cents (\$8,000.00) for the above-stated violations of K.S.A. 40-955.

5. Travelers' failure to comply with the requirements of Tests for Specific Property and Casualty Underwriting and Rating Standard16 constitutes violations of K.S.A. 40-3118(b) and K.S.A. 40-2,112(d).
6. Pursuant to K.S.A. 40-2,125(a)(1), Travelers shall pay a monetary penalty in the amount of Two Thousand Dollars and No Cents (\$2,000.00) for the above-stated violations of K.S.A. 40-3118(b) and K.S.A. 40-2,112(d).

IT IS SO ORDERED THIS 16th DAY OF DECEMBER 2010, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



_____/s/ Sandy Praeger_____
 Sandy Praeger
 Commissioner of Insurance

BY:

_____/s/ John W. Campbell_____
 John W. Campbell
 General Counsel

In the Matter of
THE AUTOMOBILE INSURANCE CO. OF HARTFORD, CT
THE STANDARD FIRE INSURANCE CO.
THE CHARTER OAK FIRE INSURANCE CO.
THE PHOENIX INSURANCE CO.
THE TRAVELERS INDEMINITY CO.
THE TRAVELERS INDEMINITY CO. OF AMERICA
THE TRAVELERS HOME & MARINE INSURANCE CO.
TRAVCO INSURANCE CO.
TRAVELERS COMMERCIAL INS. CO. AND
TRAVELERS PROPERTY CASUALTY INSURANCE CO.

NOTICE OF RIGHTS

Travelers is entitled to a hearing pursuant to K.S.A. 77-537, the Kansas Administrative Procedure Act. If Travelers desires a hearing, the company must file a written request for a hearing with:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

This request must be filed within fifteen (15) days from the date of service of this Order. If Travelers requests a hearing, the Kansas Insurance Department will notify the company of the time and place of the hearing and information on the procedures, right of representation, and other rights of parties relating to the conduct of the hearing before the commencement of the same.

If a hearing is not requested in the time and manner stated above, this Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. 77-613. In the event that Travelers files a petition for judicial review, pursuant to K.S.A. 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

In the Matter of
THE AUTOMOBILE INSURANCE CO. OF HARTFORD, CT
THE STANDARD FIRE INSURANCE CO.
THE CHARTER OAK FIRE INSURANCE CO.
THE PHOENIX INSURANCE CO.
THE TRAVELERS INDEMINITY CO.
THE TRAVELERS INDEMINITY CO. OF AMERICA
THE TRAVELERS HOME & MARINE INSURANCE CO.
TRAVCO INSURANCE CO.
TRAVELERS COMMERCIAL INS. CO. AND
TRAVELERS PROPERTY CASUALTY INSURANCE CO.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that he served the above and foregoing Order and Notice of Rights on this 17th day of December, 2010, by causing the same to be deposited in the United States Mail, registered mail with return-receipt requested postage prepaid, addressed to the following:

Mr. Brian W. Maclean
President
Travelers Insurance Group
1 Tower Square
Hartford, CT 06183

_/s/ Jennifer R. Sourk_____

Jennifer R. Sourk
Staff Attorney

In the Matter of
THE AUTOMOBILE INSURANCE CO. OF HARTFORD, CT
THE STANDARD FIRE INSURANCE CO.
THE CHARTER OAK FIRE INSURANCE CO.
THE PHOENIX INSURANCE CO.
THE TRAVELERS INDEMINITY CO.
THE TRAVELERS INDEMINITY CO. OF AMERICA
THE TRAVELERS HOME & MARINE INSURANCE CO.
TRAVCO INSURANCE CO.
TRAVELERS COMMERCIAL INS. CO. AND
TRAVELERS PROPERTY CASUALTY INSURANCE CO.