

**MARKET CONDUCT EXAMINATION**

**THE HARTFORD COMPANIES**

**Hartford Fire Insurance Company  
Hartford Accident and Indemnity Company  
Hartford Casualty Insurance Company  
Hartford Underwriters Insurance Company  
Hartford Insurance Company of the Midwest  
Twin City Fire Insurance Company  
Property and Casualty Insurance Company of  
Hartford  
Sentinel Insurance Company, LTD.**

**Hartford Plaza  
Hartford, CT 06115**

**January 1, 2003 – December 31, 2003**



**G 05-18  
EXHIBIT A**

## TABLE OF CONTENTS

<b>Section</b>	<b>Page</b>
Table of Contents	2
Salutation	3
Chief Examiner's Report Certification	4
Foreword and Scope and Sampling Standards	5
Company History and Operations	7
General Examination Findings	9
Agent Activities	9
Complaints	10
Underwriting and Rating	11
Rate and Form Filings	12
Cancellations and Non-Renewals	13
Claims Settlement Practices	14
Summary of Standards	17
Instructions and Recommendations	22
Appendices	23

The Honorable Mike Kreidler  
Washington State Insurance Commissioner  
PO Box 40255  
Olympia, Washington 98504

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.03.010 and procedures promulgated by the National Association of Insurance Commissioners (NAIC) and the Office of the Insurance Commissioner (OIC), an examination of the personal lines market conduct affairs has been performed on the following companies:

Hartford Fire Insurance Company NAIC #19682  
Hartford Accident and Indemnity Company NAIC #22357  
Hartford Casualty Insurance Company NAIC #29424  
Hartford Underwriters Insurance Company NAIC #30104  
Hartford Insurance Company of the Midwest NAIC #37478  
Twin City Fire Insurance Company NAIC #29459  
Property and Casualty Insurance Company of Hartford NAIC #34690  
Sentinel Insurance Company, LTD. NAIC #11000

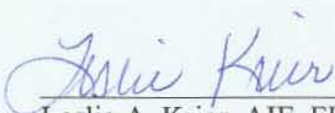
In this report, the above entities are referred to as the Companies. This examination is respectfully submitted.

## CHIEF EXAMINER'S REPORT CERTIFICATION

This examination was conducted in accordance with Office of the Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. Sally Anne Carpenter, AIE, AIC and Shirley M. Merrill of the Washington State Office of the Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended by the personnel of the Hartford Companies during the course of this market conduct examination, and particularly acknowledges the efforts of those people who provided daily support to the examiners.

I certify this report is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of the Insurance Commissioner, and that this report is true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Leslie A. Krier, AIE, FLMI  
Chief Market Conduct Examiner  
Office of the Insurance Commissioner  
State of Washington

## FOREWORD

This examination was completed by applying tests to each examination standard. Each test applied during the examination is stated in this report and the results are reported. Exceptions are noted as part of the comments for the applied test. Throughout the report, where cited, RCW refers to the Revised Code of Washington, and WAC refers to Washington Administrative Code.

### Prior Examination Summary

This is the third examination of the Hartford Group of Companies. The prior examinations were completed in 1989 and 1996.

## SCOPE

### Time Frame

The examination covered the Companies' operations from January 1, 2003 through December 31, 2003 except in the area of complaints. The examiners reviewed complaints from January 1, 2002 through April 30, 2004. The examination was performed in the Companies' claims office in Phoenix, Arizona and the Seattle Office of the Insurance Commissioner.

### Matters Examined

The examination included the following areas:

Agent Activities	Rate and Form Filings
Complaints	Cancellations and Non-Renewals
Underwriting and Rating	Claims Settlement Practices

## SAMPLING STANDARDS

### Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92%	Confidence Level
+/- 5%	Mathematical Tolerance

These are the guidelines prescribed by the National Association of Insurance Commissioners in the Market Conduct Examiners Handbook.

### Regulatory Standards

Samples are tested for compliance with standards established by the Office of the Insurance Commissioner. The tests applied to sampled data will result in an error ratio which determines whether or not a standard is met. If the error ratio found in the sample is, generally, less than 5%, the standard will be considered as 'met'. The standard in the area of agent licensing and appointment will not be met if any violation is identified. The standard in the area of filed rates and forms will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample.

For those standards which look for the existence of written procedures or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the company follows established procedures.

Standards will be reported as Passed without Comment, Passed with Comment or Failed. The definition of each category follows.

Passed without Comment:	There were no adverse findings for the standard.
Passed with Comment:	The records reviewed fell within the tolerance level for the standard.
Failed:	The records reviewed fell outside of the tolerance level established for the standard.
Not Applicable	The standard is not applicable to this examination.

## COMPANY HISTORY AND OPERATIONS

<b>Company Name</b>	<b>Domiciled State</b>	<b>Incorporation Date</b>	<b>Date Admitted to WA</b>
Hartford Fire Insurance Company	CT	May 1810	June 26, 1890
Hartford Accident and Indemnity Company	CT	August 12, 1913	July 28, 1914
Hartford Casualty Insurance Company	IN	March 5, 1987 <sup>1</sup>	March 7, 1930
Hartford Underwriters Insurance Company	CT	December 23, 1987 <sup>2</sup>	December 21, 1925
Hartford Insurance Company of the Midwest	IN	September 11, 1979	March 26, 1985
Twin City Fire Insurance Company	IN	March 5, 1987 <sup>3</sup>	March 25, 1926
Property and Casualty Company of Hartford	IN	May 4, 1989	April 18, 1997
Sentinel Insurance Company	CT	November 30, 1955	November 14, 2000

<sup>1</sup>Predecessor company was Citizens Insurance Company of New Jersey, incorporated 12/31/1929

<sup>2</sup>Predecessor company was incorporated on August 11, 1925 in New York.

<sup>3</sup>Predecessor company was incorporated December 1910

Hartford Fire Insurance Company was incorporated in 1810. The Company is 100% owned by the Hartford Financial Services Group. Ramani Ayer is Chairman of the Board and Chief Operating Officer.

Hartford Accident and Indemnity Company was incorporated in 1913. The Company's stock is 100% owned by Hartford Fire Insurance Company, except for director's qualifying shares. Ramani Ayer is Chairman of the Board and Chief Operating Officer.

Hartford Casualty Insurance Company was incorporated in March 1987 in Indiana as part of the transaction to re-domicile to Indiana. The predecessor company to Hartford Casualty was Citizens Insurance Company of New Jersey which commenced business in December 1929. All the Company's capital stock is owned by Hartford Fire Insurance Company. Ramani Ayer is Chairman of the Board and Chief Operating Officer.

Hartford Underwriters Insurance Company was incorporated December 31, 1987 in Connecticut. The outstanding stock is owned by the Hartford Fire Insurance Company, which is controlled by Hartford Financial Services Group, Inc. Ramani Ayer is President and Chief Operating Officer.

Hartford Insurance Company of the Midwest was incorporated in 1979. The Company's capital stock is wholly owned by Hartford Fire Insurance Company. Ramani Ayer is Chairman of the Board and Chief Operating Officer.

Twin City Fire Insurance Company was incorporated in March 1987 in Indiana as part of the re-domestication process. The company incorporated in Minneapolis as Twin City Fire Insurance Company of Minneapolis Minnesota in December 1910. Ramani Ayer is Chairman of the Board and Chief Operating Officer.

Property and Casualty Insurance Company of Hartford was incorporated on May 4, 1989. All capital stock is owned by Harford Fire Insurance Company. David K. Zweiger is the President and Chief Operating Officer.

Sentinel Insurance Company was incorporated in Hawaii on November 30, 1955. In 1999 the Company was re-domesticated to Connecticut. Hartford Accident and Indemnity Company controls the company's capital stock, which is owned by Pacific Insurance Company. Ramani Ayer is Chairman of the Board and Chief Operating Officer.

The Companies wrote the following lines of business in Washington during the exam period:

- Auto
- Homeowners
- Dwelling Fire
- Umbrella

The Companies' primary underwriting office is in Reno, Nevada. The primary claims office is in Phoenix, Arizona.

### **Findings**

Note: Standard #2 does not apply to this examination as the companies are foreign insurers.

The following Operations and Management Standard Passed without Comment:

<b>#</b>	<b>OPERATIONS AND MANAGEMENT STANDARD</b>	<b>REFERENCE</b>
<b>1</b>	<b>The company is required to be registered with the OIC prior to acting as an insurance company in the State of Washington.</b>	<b>RCW 48.05.030(1)</b>



## GENERAL EXAMINATION FINDINGS

### Findings

The following General Examination Standards Passed without Comment:

#	GENERAL EXAMINATION STANDARD	REFERENCE
1	All requested information was made available to the examiners, and the company otherwise facilitated the examination in a timely manner.	RCW 48.03.030(1)
3	The company maintains full and accurate records and accounts.	RCW 48.05.280
4	The company filed an antifraud plan with the OIC.	RCW 48.30A.045, RCW 48.30A.060

The following General Examination Standard Failed:

#	GENERAL EXAMINATION STANDARD	REFERENCE
2	The company does business in its own legal name.	RCW 48.05.190(1), Bulletin 78-7, Technical Assistance Advisory T 2000- 06

#### **General Examination Standard #2:**

- One (1) non-renewal notice did not contain the complete name of the insurer.
- Checks issued by the claims department in payment of approximately 43,000 claims did not contain the name of the insuring company.
- Twenty-one (21) claim files contained letters, faxes, or releases that did not contain the complete name or the correct name of the insuring company. Many of the letters were from templates.

See Appendix 1 for detail.

**Subsequent event:** *The claim letter and form templates were being corrected while the examiners were on site. The Companies confirmed that programming check generating systems had been completed effective March 12, 2005.*

## AGENT ACTIVITIES

Agent license and appointment records for agents who wrote policies selected for the underwriting sample were reviewed by the examiners. The examiners also reviewed a sample of records from the list of active agents provided by the Companies. As part of

the review, the examiners compared the Companies' agent licensing records with the OIC records to ensure that agents soliciting business for the Companies were licensed and appointed prior to soliciting business on behalf of the Companies as required by Washington law.

### Findings

The following Agent Activity Standards Passed without Comment:

#	AGENT ACTIVITY STANDARD	REFERENCE
1	The company must ensure that agents or brokers are licensed for the appropriate line of business with the State of Washington prior to allowing agents to solicit business or represent the company in any way.	RCW 48.17.060(1) and (2)
3	The company must notify the OIC when an agent's appointment is revoked.	RCW 48.17.160(3)
4	The company must give an agency with a written agency contract at least 120 days notice of its intent to terminate the contract.	RCW 48.17.591(2)

The following Agent Activity Standard Failed:

#	AGENT ACTIVITY STANDARD	REFERENCE
2	The company must require that agents/agencies are appointed to represent the company prior to allowing agents to solicit business on behalf of the company.	RCW 48.17.160(1) and (2) WAC 284-17-420

**Standard#2:** Eighty-four (84) policies were written by two agencies that were not appointed with the Company that issued the policy. See Appendix 2 for detail.

**Subsequent event:** *All appointments have been submitted to the OIC August 24, 2004 except those with Sentinel which were completed March 10, 2005.*

### COMPLAINTS

The examiners selected 50 complaints from 903 complaints filed between January 1, 2002 and April 30, 2004. The complaints included both those filed directly with the Companies, and those handled via inquiry from the OIC.

Files were reviewed to determine if the Companies responded to complaints filed with the OIC within time frames stated in its procedures and those required by Washington regulation. Files were reviewed for adverse trends. The examiners also reviewed the Companies' complaint handling procedures.

### Findings

The following Complaint Standard Passed without Comment:

#	COMPLAINT STANDARD	REFERENCE
1	<b>Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication.</b>	<b>WAC 284-30-650, WAC 284-30-360(2), Technical Assistance Advisory T 98-4</b>

### UNDERWRITING AND RATING

The examiners selected 175 policies from 165,257 policies that were either new or renewed during the examination period.

Files were reviewed to determine if the Companies:

- followed the filed rating plans
- followed the underwriting rules
- were in compliance with Washington laws

The examiners manually rated policies to determine if there were any programmed errors in the Companies' computer system and if the Companies were using the filed and approved rates.

Underwriting Standards #5 and #6 are not applicable to this examination as they apply to commercial lines only.

### Findings

The following Underwriting Standards Passed without Comment:

#	UNDERWRITING STANDARD	REFERENCE
1	<b>Binders issued to temporarily secure coverage during underwriting are valid until the policy is issued or ninety days, whichever is shorter and shall identify the company providing the coverage and effective dates.</b>	<b>RCW 48.18.230(1), WAC 284-30-560</b>
4	<b>During underwriting, the company uses only the personal driving record for personal insurance and only the commercial motor vehicle employment driving record for commercial insurance.</b>	<b>RCW 46.52.130, RCW 48.30.310, Bulletin 79-3, WAC 308-104- 145</b>
7	<b>The company may not rely solely on the decision of another insurer's denial, cancellation, or non-renewal of insurance to support a denial or termination of coverage.</b>	<b>WAC 284-30-574</b>
8	<b>Binders must identify the insurer which is bound by the</b>	<b>WAC 284-30-</b>

#	UNDERWRITING STANDARD	REFERENCE
	<b>form.</b>	<b>560(2)(a)</b>

The following Underwriting Standards Passed with Comment:

#	UNDERWRITING STANDARD	REFERENCE
<b>2</b>	<b>The company requires an insured to reject or request lower limits for underinsured motorist (UIM) coverage in writing.</b>	<b>RCW 48.22.030(3) and (4)</b>
<b>3</b>	<b>The company requires an insured to reject Personal Injury Protection (PIP) coverage in writing.</b>	<b>RCW 48.22.085(2)</b>

**Standard #2:** The Companies were unable to produce the signed UIM rejection on one (1) policy. See Appendix 3 for detail.

**Standard #3:** The Companies were unable to produce the signed PIP rejection on three (3) policies. See Appendix 3 for detail.

### **RATE AND FORM FILINGS**

The examiners selected forms that were attached to the new and renewal policies used in the Underwriting sample for the rate and form filings review. The purpose was to determine if the Companies were complying with the laws regarding the filing and use of rates and forms.

Rate and Forms Filing Standards #5 and #7 are not applicable to this examination as they apply to commercial policies.

### **Findings**

The examiners found eight dwelling fire policies that were not rated with the correct fire protection class. Those policies were returned to the Companies for correction at renewal as they did not result in any rating errors.

The following Rate and Form Filing Standards Passed without Comment:

#	RATE AND FORM STANDARD	REFERENCE
<b>1</b>	<b>Policy forms and applications, where required, have been filed with and approved by the OIC prior to use.</b>	<b>RCW 48.18.100</b>
<b>3</b>	<b>The policy identifies all forms that make up the policy. The policy identifies all coverage limits.</b>	<b>RCW 48.18.140(2)(a) through (f)</b>
<b>4</b>	<b>The policy must contain all endorsements and forms.</b>	<b>RCW 48.18.190</b>
<b>6</b>	<b>Personal Injury Protection forms issued by the company contain coverage definitions and limits that conform to Washington law.</b>	<b>RCW 48.22.095, RCW 48.22.005</b>

The following Rate and Form Filing Standard Passed with Comment:

#	RATE AND FORM STANDARD	REFERENCE
2	Where required, the company has filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and rating rules prior to use, and does not issue any policies that are not in accord with the filing in effect.	RCW 48.19.040(1) and (6)

**Standard #2:** Eight (8) policies were not rated according to the approved filing, either because the wrong fire protection class was used and the policy was either overcharged or undercharged, or the alarm credits were not applied correctly. See Appendix 4 for detail.

### CANCELLATIONS AND NON-RENEWALS

The examiners reviewed files to determine if the Companies were in compliance with state laws governing policy cancellation and non-renewal. The examiners selected a sample of 237 policies from 28,239 policies that were either cancelled or non-renewed during the exam period.

The Companies advised the examiners that most of the policies that were non-renewed from four of the Companies were re-written in Sentinel Insurance Company, whose scoring model had been approved by the OIC. They stated that this was done to bring the Companies into compliance with Washington House Bill 2544 which regulates the use of credit scores in underwriting and rating, and the regulations promulgated by the OIC in WAC 284-24A-001 through WAC 284-24A-065.

### Findings

One error was returned to the Companies for review.

- The policy was cancelled because the insured was deceased. The Companies failed to send the appropriate notice within the required time frames.

The following Cancellation and Non-renewal Standards Passed without Comment:

#	CANCELLATION & NON-RENEWAL STANDARD	REFERENCE
1	The company does not cancel or refuse to renew policies because the agent is no longer affiliated with the company.	RCW 48.17.591
2	The company sends offers to renew or sends cancellation or non-renewal notices according to the requirements prior to policy termination.	RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292
3	The company includes the actual reason for canceling,	WAC 284-30-570

#	CANCELLATION & NON-RENEWAL STANDARD	REFERENCE
	denying or refusing to renew an insurance policy when notifying the insured.	

### CLAIMS SETTLEMENT ACTIVITIES

The examiners reviewed 185 claims of 15,282 claims that were closed during the exam period. They also reviewed 25 additional claims that contained settlements of first party total losses.

Files were reviewed for:

- Compliance with Washington law
- Timeliness of contact with claimants
- Promptness of payments
- Explanation of applicable coverage
- Procedures for establishing actual cash value of total loss vehicles
- Documentation of claim files

The claims are handled in the regional offices in Phoenix, Arizona and other satellite locations.

The following error was returned to claims management for review and correction:

- The Company had failed to refund difference between collision deductible and UMPD deductible. \$400 was returned to the insured.

### Findings:

The following Claims Settlement Standards Passed without Comment

#	CLAIMS SETTLEMENT STANDARD	REFERENCE
4	The company acknowledges receipt of a claim within 10 days, and responds to all communication on a claim file within the time frames prescribed and promptly provides reasonable assistance, forms and instruction to first party claimants.	WAC 284-30-360(1), (3), and (4)
9	The company surrenders titles for total loss vehicles to the Department of Licensing or provides other authorized documentation as required.	RCW 46.12.070, WAC 308-56A-460

The following Claims Settlement Standards Passed with Comment

#	CLAIMS SETTLEMENT STANDARD	REFERENCE
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#	CLAIMS SETTLEMENT STANDARD	REFERENCE
1	The company settles claims in a manner that is not in conflict with any section of the Unfair Claims Settlement Act.	WAC 284-30-330
2	Company claim files contain detailed log notes and work papers that allow reconstruction of the claim file.	WAC 284-30-340
3	The company provides an explanation of all pertinent coverage to first party claimants.	WAC 284-30-350
5	The company complies with requirements for prompt investigation of claims.	WAC 284-30-370
6	The company accepts or denies coverage within 15 days after receiving proof of claim.	WAC 284-30-380
8	The company complies with the regulation regarding notification of PIP benefits, limitations, termination, or denial of benefits.	WAC 284-30-395(1)

**Claims Settlement Standard #1:**

- Two (2) files contained checks that did not identify the coverage under which they were made.
- The company had a settlement program “Safehaven” where funds from settlements were deposited in an interest bearing account for the beneficiaries use. The Companies had a letter in template form for the claim handlers to use that explained under which coverage the account was established. Two files (2) settled in this program did not contain evidence that the letter was ever sent to the beneficiary. See Appendix 5 for detail.

**Claims Settlement Standard #2:**

- One (1) file did not contain log notes to explain how the company arrived at the salvage value to support the amount for the salvage reduction. See Appendix 5 for detail.

**Claims Settlement Standard #3:**

- One (1) file contained log notes that the claim handler had given erroneous information about the coverage available. See Appendix 5 for detail.

**Claims Settlement Standard #5:**

- Unexplained or unwarranted delays were found in two (2) files. See Appendix 5 for detail.

**Claims Settlement Standard #6:**

- Two (2) files contained evidence of delay in payment of the claim. See Appendix 5 for detail.

**Claims Settlement Standard # 8:**

- The Companies’ PIP letter advising insureds of the benefits available did not contain language to explain under what situations the medical benefits could be denied, limited or terminated. Fifteen (15) letters were identified in the claims sample. There was no evidence of consumer harm. See Appendix 5 for detail.
- One (1) file did not contain a notice to the policy holder explaining that medical benefits could be denied, terminated or limited, following an Independent Medical Examination. See Appendix 5 for detail.

**Subsequent event:** *The Companies provided the examiners a copy of a revised template letter that contained the benefits that were available under the policy as well as the reasons the Companies could deny, limit, or terminate medical benefits.*

The following Claims Settlement Standard Failed

#	CLAIMS SETTLEMENT STANDARD	REFERENCE
7	The company settles automobile claims in accordance with standards established for prompt, fair and equitable claim settlements.	WAC 284-30-390, WAC 284-30-3901 through 3916

**Claim Settlement Standard #7:**

- Six (6) files did not contain documentation that the appropriate pro-rated license fees, and/or taxes had been included. \$940.41 was returned to six insureds.
- Six (6) files did not contain a firm salvage bid. The Companies used the services of Pro-Quote to estimate the salvage value. Based on the information in the file the quotes do not accurately reflect the value of the specific piece of salvage.

See Appendix 5 for detail.

**Subsequent event:** *Effective September 4, 2004 the companies implemented a procedure requiring claim handlers to access the DOL website to obtain accurate tax and license fee information to settle total losses.*



## SUMMARY OF STANDARDS

### Company Operations and Management:

#	STANDARD	PAGE	PASS	FAIL
1	The company is required to be registered with the OIC prior to acting as an insurance company in the State of Washington. (RCW 48.05.030(1))	8	X	
2	The company is required to file with the OIC any amendments to the Articles of Incorporation for domestic insurers or insurance holding companies. (RCW 48.07.070)	N/A		

### General Examination:

#	STANDARD	PAGE	PASS	FAIL
1	All requested information was made available to the examiners, and the company otherwise facilitated the examination in a timely manner. (RCW 48.03.030(1))	9	X	
2	The company does business in its own legal name. (RCW 48.05.190(1), Bulletin 78-7, Technical Assistance Advisory T 2000-06)	9		X
3	The company maintains full and accurate records and accounts. (RCW 48.05.280)	9	X	
4	The company filed an antifraud plan with the OIC. (RCW 48.30A.045 and RCW 48.30A.060)	9	X	

### Advertising:

#	STANDARD	PAGE	PASS	FAIL
1	The company's advertising materials do not contain any false, deceptive or misleading representations. (RCW 48.30.040)		N/A	
2	The company does not use quotations or evaluations from rating services or other sources in a manner that appears to be deceptive to the public. (WAC 284-30-660)		N/A	
3	The company must use its full name and include the location of its home office or principle office in all advertisements. (RCW 48.30.050, Bulletin 78-7, Technical Assistance Advisory T 2000-06)		N/A	
4	The company referencing its financial condition in advertisements is required to show the actual financial condition as it corresponds with the financial statements published by each company, and must		N/A	

#	STANDARD	PAGE	PASS	FAIL
	include only those assets actually owned and possessed by each company exclusively. (RCW 48.30.070)			
5	The company does not advertise the existence of the Washington Insurance Guaranty Association. (RCW 48.30.075)		N/A	
6	The company does not include any statements in its advertising material that would appear to defame the name of other insurers. (RCW 48.30.080)		N/A	
7	The company does not misrepresent the terms of its policies in any form during the advertising and solicitation of its products. (RCW 48.30.090)		N/A	
8	The company does not offer, promise, allow, give, set off, or pay to the insured or to any employee of the insured any rebate, discount, abatement or reduction of premium or any part of these as an inducement to purchase or renew insurance unless specifically exempted from this statute. (RCW 48.30.140, RCW 48.30.150)		N/A	

**Agent Activities:**

#	STANDARD	PAGE	PASS	FAIL
1	The company must ensure that agents or brokers are licensed for the appropriate line of business with the State of Washington prior to allowing agents to solicit business or represent the company in any way. (RCW 48.17.060(1) and (2))	10	X	
2	The company must require that agents/agencies are appointed to represent the company prior to allowing agents to solicit business on behalf of the company. (RCW 48.17.160 (1) and (2), WAC 284-17-420)	10		X
3	The company must notify the OIC when an agent's appointment is revoked. (RCW 48.17.160(3))	10	X	
4	The company must give an agency with a written agency contract at least 120 days notice of its intent to terminate the contract. (RCW 48.17.591(2))	10	X	

**Complaints:**

#	STANDARD	PAGE	PASS	FAIL
1	Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication. (WAC 284-30-650, WAC 284-30-360(2), Technical Assistance Advisory T 98-4)	11	X	

**Underwriting and Rating:**

#	STANDARD	PAGE	PASS	FAIL
1	Binders issued to temporarily secure coverage during underwriting are valid until the policy is issued or ninety days, whichever is shorter and shall identify the company providing the coverage and effective dates. (RCW 48.18.230(1), WAC 284-30-560)	11	X	
2	The company requires an insured to reject or request lower limits for underinsured motorist (UIM) coverage in writing. (RCW 48.22.030(3) and (4))	12	X	
3	The company requires an insured to reject Personal Injury Protection (PIP) coverage in writing. (RCW 48.22.085(2))	12	X	
4	During underwriting, the company uses only the personal driving record for personal insurance and only the commercial motor vehicle employment driving record for commercial insurance. (RCW 46.52.130, RCW 48.30.310, Bulletin 79-3, WAC 308-104-145)	11	X	
5	The company applies schedule rating plans to all policies as applicable in its filing and retains documentation and analysis to support the company's decision. (WAC 284-24-100)		N/A	
6	The company retains all documentation related to the development and use of (a) rates. (WAC 284-24-070)		N/A	
7	The company may not rely solely on the decision of another insurer's denial, cancellation, or non-renewal of insurance to support a denial or termination of coverage. (WAC 284-30-574)	11	X	
8	Binders must identify the insurer which is bound by the form. (WAC 284-30-560(2)(a))	12	X	

**Rate and Form Filings:**

#	STANDARD	PAGE	PASS	FAIL
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use. (RCW 48.18.100)	12	X	
2	Where required, the company has filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and rating rules prior to use, and does not issue any policies that are not in accord with the filing in effect. (RCW 48.19.040 (1) and (6))	13	X	
3	The policy identifies all forms that make up the policy. The policy identifies all coverage limits. (RCW 48.18.140(2)(a) through (f))	12	X	
4	The policy must contain all endorsements and forms. (RCW 48.18.190)	12	X	
5	Policy forms for commercial policies are filed within 30 days of use. (RCW 48.18.103(2))		N/A	
6	Personal Injury Protection forms issued by the company contain coverage definitions and limits that conform to Washington law. (RCW 48.22.095, RCW 48.22.005)	12	X	
7	Rates for commercial policies must be filed within 30 days of use. (RCW 48.19.043(2))		N/A	

**Cancellations and Non-Renewals:**

#	STANDARD	PAGE	PASS	FAIL
1	The company does not cancel or refuse to renew policies because the agent is no longer affiliated with the company. (RCW 48.17.591)	13	X	
2	The company sends offers to renew or sends cancellation or non-renewal notices according to the requirements prior to policy termination. (RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292)	13	X	
3	The company includes the actual reason for canceling, denying or refusing to renew an insurance policy when notifying the insured. (WAC 284-30-570)	14	X	

**Claims:**

#	STANDARD	PAGE	PASS	FAIL
1	The company settles claims in a manner that is not in conflict with any section of the Unfair Claims Settlement Act. (WAC 284-30-330)	15	X	
2	Company claim files contain detailed log notes and work papers that allow reconstruction of the claim file. (WAC 284-30-340)	15	X	
3	The company provides an explanation of all pertinent coverage to first party claimants. (WAC 284-30-350)	15	X	
4	The company acknowledges receipt of a claim within 10 days, and responds to all communication on a claim file within the time frames prescribed and promptly provides reasonable assistance, forms and instruction to the first party claimants. (WAC 284-30-360 (1), (3), and (4))	14	X	
5	The company complies with requirements for prompt investigation of claims. (WAC 284-30-370)	15	X	
6	The company accepts or denies coverage within 15 days after receiving proof of claim. (WAC284-30-380)	15	X	
7	The company settles automobile claims in accordance with standards established for prompt, fair and equitable claim settlements. (WAC 284-30-390)(WAC 284-30-3901 through 3916)	16		X
8	The company complies with the regulation regarding notification of PIP benefits, limitations, termination, or denial of benefits. (WAC 284-30-395)(1)	15	X	
9	The company surrenders titles for total loss vehicles to the Department of Licensing or provides other authorized documentation as required. (RCW 46.12.070, WAC 308-56A-460)	14	X	

## INSTRUCTIONS AND RECOMMENDATIONS

### INSTRUCTIONS

	<b>INSTRUCTION</b>	<b>PAGE</b>
1	The Companies are instructed to comply with RCW 48.05.190(1), Bulletin 78-7, Technical Assistance Advisory T2000-06 and ensure that the legal name of the Company is clearly identified in all correspondence, releases, and checks.	9
2	The Companies are instructed to comply with RCW 48.17.160, and WAC 284-17-420 and ensure that all agents and agencies are appointed with each Company prior to allowing them to represent the Company.	10
3	The Companies are instructed to comply with WAC 284-30-390, and 3901 through 3916 to ensure total losses are settled in compliance with the regulations. The Companies are further instructed to ensure all salvage bids are firm bids not estimates and are measurable, discernable, itemized and specific in value.	16

### RECOMMENDATIONS

	<b>RECOMMENDATION</b>
1	It is recommended that the Companies conduct a training session with claims staff to specifically target Washington laws and regulations pertinent to claims handling.

**APPENDIX 1**

<b>General Examination Standard #2</b>	
<b>Policy number, claim number, or form number and edition date, if any</b>	<b>Comments</b>
<b>Underwriting</b>	
52PH329916	One non-renewal notice did not contain the complete name of the company.
<b>Claims</b>	
All claim checks	All checks issued on claims show The Hartford and the Hartford logo. The company issued checks on approximately 43, 000 claims during the exam period.
YEZ 28375	Correspondence did not contain the complete name of the insuring company.
YHN 43113	Correspondence did not contain the complete name of the insuring company.
YHN 52518	Correspondence identified the wrong insuring company.
YHN 10287	Correspondence did not contain the complete name of the insuring company.
YHN 63866	Release did not include the complete name of the insuring company.
YHN 81394	Correspondence and release did not include the complete name of the insuring company.
YHN 84182	Correspondence did not contain the complete name of the insuring company.
YHN 09174	Correspondence did not contain the complete name of the insuring company.
PA1158415	Correspondence did not contain the complete name of the insuring company.
YHN 36779	Correspondence did not contain the complete name of the insuring company.
YHN 93905	Correspondence did not contain the complete name of the insuring company.
YHN 30505	Correspondence did not contain the complete name of the insuring company.
YHN 55490	Correspondence did not contain the complete name of the insuring company.
YHN 95314	Correspondence did not contain the complete name of the insuring company.
YEZ 11544	Correspondence did not contain the complete name of the insuring company.
YEZ 47964	Correspondence did not contain the complete name of the

<b>General Examination Standard #2</b>	
<b>Policy number, claim number, or form number and edition date, if any</b>	<b>Comments</b>
	insuring company.
YGH 42988	Correspondence did not contain the complete name of the insuring company.
YHN 24411	Correspondence did not contain the complete name of the insuring company.
YEZ 36718	Correspondence did not contain the complete name of the insuring company.
YGH 96249	Correspondence did not contain the complete name of the insuring company.
PA 1138230	Correspondence did not contain the complete name of the insuring company.



## APPENDIX 2

Agent Activity Standard #4	
Policy number, claim number, or form number and edition date, if any	Comments
36 policies	One agency wrote 36 policies written in Hartford Underwriters Insurance, Inc. The agency was not appointed to represent this company.
24 policies	One agency wrote 24 policies in Hartford Fire Insurance Company. The agency was not appointed to represent this company.
24 policies	One agency wrote 24 policies in Sentinel Insurance Company. The agency was not appointed to represent this company.

### APPENDIX 3

<b>Underwriting and Rating Standard #2</b>	
<b>Policy number, claim number, or form number and edition date, if any</b>	<b>Comments</b>
52PH 334612	The company was not able to produce the signed UIM rejection.
55PH 513601	The company had file notes about the rejection but was unable to provide a copy of the signed PIP rejection.
52PH 334612	The company was not able to produce the signed PIP rejection.
55PHA 322221	The company was not able to produce the signed PIP rejection.

## APPENDIX 4

<b>Rate and Form Filing Standard #2</b>	
<b>Policy number, claim number, or form number and edition date, if any</b>	<b>Comments</b>
55 JB 257762	The company used the wrong fire protection class. This resulted in undercharging the insured.
55 JB 252626	The company used wrong credit for the alarm resulting in an overcharge of \$17. The company has refunded the overcharged premium.
55 RBA 425392	The policy was not rated in the appropriate fire protection class resulting in an overcharge. \$86 was refunded to the insured.
55 RBB 345278	The policy was not rated according to the filing because the company used the wrong fire protection class. The insured was undercharged \$23. The policy will be corrected at the next renewal.
52 JB 822771	The policy was not rated according to the filing because the company used the wrong fire protection class. The insured was overcharged \$8 which was refunded to the insured.
52 RB 184345	The policy was not rated according to the filing because the company used the wrong fire protection class. The insured was undercharged. The policy will be corrected at the next renewal.
55 RBB 661608	The policy was not rated according to the filing because the company used the wrong fire protection class. The insured was undercharged. No correction is necessary as the policy is no longer in force.
55 JB 2328	The policy was not rated according to the filing because company used wrong alarm credit resulting in an overcharge of \$24. The company has refunded the overcharged premium.

**APPENDIX 5**

<b>Claims Settlement Standard #1</b>	
<b>Claim number</b>	<b>Comments</b>
YEZ DP 412727	Check did not identify under which coverage the payment was made.
YEZ DP 49063	Check did not identify under which coverage the payment was made.
YHNAC 96347	The claim handler failed to send a letter explaining the coverage under which the payment was made.
YJFMD 22373	The claim handler failed to send a letter explaining the coverage under which the payment was made.
<b>Claims Settlement Standard # 2</b>	
<b>Claim number</b>	<b>Comments</b>
YHN 14310	Log notes and documentation did not explain how the company arrived at the salvage deduction.
<b>Claims Settlement Standard #3</b>	
<b>Claim number</b>	<b>Comments</b>
	Claim handler gave erroneous information to the insured about the coverage.
<b>Claims Settlement Standard # 5</b>	
<b>Claim number</b>	<b>Comments</b>
PA 873951	Unexplained delays were found in the claim notes.
YHS 94255	Unexplained delays were found in the claim notes.
<b>Claims Settlement Standard # 6</b>	
<b>Claim number</b>	<b>Comments</b>
PA 873951	file showed evidence of delays in payment of the claim
YHS 94255	Delay in investigation and payment of claim
<b>Claims Settlement Standard #7</b>	
<b>Claim number</b>	<b>Comments</b>
YHN 49887	Company did not include the pro-rated license fee in the settlement. Additional payment of \$29.17 was made to the insured.
PA 1134706	Company did not include the pro-rated license fee in the settlement. Addl payment of \$95.23 was made to insured.

<b>Claims Settlement Standard #7</b>	
<b>Claim number</b>	<b>Comments</b>
YHN 94808	Company used Pro-Quote, which is not a firm bid for the salvage value. There is no evidence that the bid was appropriate in value
YHN 95780	Company used Pro-Quote, which is not a firm bid for the salvage value. There is no evidence that the bid was appropriate in value
YHN50045	Salvage bids were not firm. Pro-quote estimate of value was \$689. Actual sale was \$300 before costs. Company did not pay pro-rated registration or reimburse the insured's deductible when it was recovered. Additional payment of \$322.50 was made to the insured. Salvage represented 43% of quoted value
YHN 05012	Unused registration fees were not paid. The Company was not able to obtain information from the Dept of Licensing, and also unsuccessful in attempts to contact the insured.
YHN 14310	Company used Pro-Quote, which is not a firm bid for the salvage value. There is no evidence that the bid was appropriate in value. The salvage quote was \$984.65 however the settlement was based on \$674.52 with no explanation.
YGH 88137	Pro-quote figure used to establish salvage value. Owner did not retain salvage. The range from Pro-Quote was \$584-\$905. The actual sale was \$300 before costs were deducted. (51% of estimated value)
YHA 03467	Transfer and title fees were not included, and the sales tax was calculated incorrectly. Additional payment of \$400.07 was made to the insured.
YHN 24411	Pro-rated fees were not paid correction. Additional payment of \$23.21 was made to the insured.
YGH 625818	Pro-rated fees were not included in the settlement. Additional payment of \$30.63 was made to the insured.
YGH 97873	Pro-rated fees were not included in the settlement. Additional payment of \$39.60 was made to the insured.
<b>Claims Settlement Standard # 8</b>	
<b>Claim number</b>	<b>Comments</b>
YHN 90016	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YHN 45986	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.

**Claims Settlement Standard # 8**

<b>Claim number</b>	<b>Comments</b>
YHN 47674	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YHN 01167	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YHN 10947	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YGH 04306	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YHN 09174	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YHN 84182	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YHN 36563	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
PA0001134706	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YHN 95780	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YHN 97343	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YGH 42988	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YHN 50045	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
YGH 88848	PIP letter does not include reasons for limiting, denying, or terminating benefits as required.
2004006134	Company did not send a letter explaining the coverage available, or the reasons the Company could limit, deny or terminate benefits prior to terminating those benefits based on Independent Medical Exam (IME) results.

RECEIVED

MAR 18 2005

INSURANCE COMMISSIONER

March 17, 2005



**VIA FACSIMILE & OVERNIGHT MAIL.**

James T. Odiorne, CPA, JD  
State of Washington  
Office of the Insurance Commissioner  
5000 Capitol Boulevard  
Tumwater, WA 98501

Stephanie Raymond  
Counsel  
Law Department

RE: Market Conduct Examination of The Hartford Companies  
January 1, 2003 through December 31, 2003

Dear Attorney Odiorne:

We are in receipt of the draft Market Conduct Examination Report (the "Report"). Based upon our review of the Report, we have the following comments:

1. **General Examination Findings, General Examination Standard #2:** Please be advised that based upon the examiner's comments during the market conduct exam, checks issued by the claim department will now contain the name of the insuring company. We respectfully request that this change in the Companies' procedures be included in the Subsequent Event section of the Report.
2. **Agent Activities Findings, Agent Activity Standard #2:** We respectfully request that the Report include an additional statement indicating that the Companies have taken remedial action in this area. The Companies propose the following language:

Subsequent Event: The Companies have corrected all of the appointment errors cited in the Report.

3. **Claim Settlement Activities Findings, Claims Settlement Standard #7:** The Companies disagree with the examiner's findings in connection with this claims settlement standard, as follows:
  - (a) With respect to the "pro-ration of license fees and taxes" portion of Claims Settlement Standard #7, the Companies respectfully request that the Report include an additional statement indicating that the Companies have taken remedial action in this area. The Companies propose the following language:

Hartford Plaza – HO-1-09  
Hartford, CT 06115  
Telephone 860 547 8211  
Facsimile 860 723 4341  
stephanie.raymond@thehartford.com



*Subsequent Event:* The Companies' new procedures require that prior to calculating pro-rated license fees and taxes, the claim adjuster must access the Washington Department of Licensing website to obtain the exact amount of the license fees and the taxes that were paid. Verifying the license and tax amounts on the web site should prevent errors similar to the six discrepancies that the examiners identified during the market conduct exam. Furthermore, the Companies have strongly reinforced with their claim adjusters that in instances where the owner retained the salvage vehicle, the claim adjusters are obligated to issue payment of pro-rated license fees and taxes.

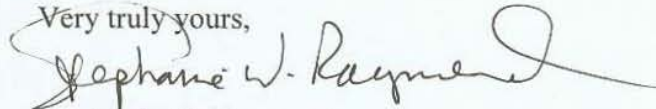
- (b) The Companies disagree with the examiner's findings related to Claims Settlement Standard #7 that six files do not contain a firm salvage bid. The examiners contend that the Pro-Quote bids did not accurately reflect the value of the specific piece of salvage. WAC 284-30-390 requires that salvage values be measurable, discernible, itemized and specified as to the dollar amount and appropriate in amount. The Pro-Quote bid is determined based upon historical sales prices actually received for similar vehicles at actual salvage auctions. Because the bid amount is determined based upon the results of actual auctions involving similar vehicles, it is the Companies' position that the Pro-Quote bid does in fact comply with the requirement that a salvage value must be measurable and discernible as set forth in WAC 284-30-390. Carriers industry-wide believe that basing the salvage value of a total loss vehicle on authentic historical data is a sound method that provides both the claimant and the insurance carrier with the most accurate value information.

Additionally, the examiners argue that the Pro-Quote bids did not meet the requirements of WAC 284-30-390 because the examiners concluded that the bids were not guaranteed. We advised the examiners that if a claimant was unable to sell the total loss vehicle for the Pro-Quote salvage value used in the adjustment of the claim, the Companies would purchase the salvage vehicle from the claimant for the Pro-Quote bid amount. The Companies consider that the use of the Pro-Quote salvage value is in compliance with the requirements of WAC 284-30-390.



Once you have had an opportunity to review our comments and requests, please feel free to call us if you have any questions. Thank you for your consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read "Stephanie W. Raymond". The signature is fluid and cursive, with a large initial "S" and a long, sweeping tail.

Stephanie W. Raymond  
Counsel

cc: Ken Wigboldy