

BEFORE ALLAN L. MCVEY, INSURANCE COMMISSIONER  
OF THE STATE OF WEST VIRGINIA

*In the Matter of:*

**PROPERTY & CASUALTY INSURANCE COMPANY OF HARTFORD**

Administrative Proceeding No. 21-MC-TRGT-02000

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER ADOPTING  
REPORT OF MARKET CONDUCT COMPLIANCE EXAMINATION  
AND DIRECTING CORRECTIVE ACTION AND ASSESSING A PENALTY

NOW COMES, Allan L. McVey, Insurance Commissioner of the State of West Virginia (hereinafter, “Commissioner”), who, after consideration of the *Report of Market Conduct Compliance Examination* (hereinafter, the “*Examination Report*”) of Property & Casualty Insurance Company of Hartford (hereinafter, “Hartford”) for the examination period ending May 31, 2021, made the following findings of fact and conclusions of law and order.

FINDINGS OF FACT

1. The market conduct examination was a targeted examination focusing on Hartford’s handling of automobile insurance policy cancellations. The examination arose as a result of an order entered in Administrative Proceeding No. 20-FP-CC-02027. The general procedures of the examination followed the standards contained in the *Market Regulation Handbook*. The examination was conducted in accordance with W.Va. Code §33-2-9(c) by examiners duly appointed by the Commissioner and covered the period of January 1, 2018 through May 31, 2021.
2. On or about April 22, 2022, the examiner filed with the Commissioner, pursuant to W. Va. Code §33-2-9, the *Examination Report*.

3. A true copy of the *Examination Report* was provided to Hartford and Hartford was notified, pursuant to W.Va. Code §33-2-9(j)(2), that it had ten (10) days after receipt of the *Examination Report* to file a submission or rebuttal with the Commissioner.

4. As set forth in the *Examination Report*, the examination focused on the methods used by Hartford to manage its operations for each of the areas examined, including whether and how Hartford complies with West Virginia's statutory and regulatory law.

5. The exam discovered two (2) areas where Hartford was non-compliant with West Virginia law.

6. The Commissioner reviewed the *Examination Report* and considered Hartford's submissions prior to issuing these findings of fact, conclusions of law and order.

#### CONCLUSIONS OF LAW

1. The Commissioner has jurisdiction over the subject matter and the parties to this proceeding.

2. This proceeding is conducted pursuant to and in accordance with W. Va. Code §33-2-9.

3. The Commissioner is charged with the responsibility of verifying Hartford's continued compliance with West Virginia law.

4. Hartford was non-compliant with two (2) areas reviewed and predominantly compliant with one (1) area reviewed.

5. As detailed in the *Examination Report*, Hartford failed to comply with provisions of West Virginia law as follows:

- The company did not comply with W.Va. Code §33-6A-1(a)(4)(A) in twelve (12) instances when it cancelled renewal policies for a suspended or revoked driver's license that occurred prior to the policy period or was not documented as occurring during the policy period.
- The company did not comply with W.Va. Code §33-6A-1a(b) in ten (10) instances when the company failed to provide sufficient prior notice of cancellation to the loss payee.

6. The Commissioner has determined that Hartford should be assessed a penalty for violating the aforementioned statutes.

ORDER

Pursuant to W.Va. Code §33-2-9(j)(3)(A), following the review of the *Examination Report*, the examination work papers, and Hartford's response thereto, it is **ORDERED** as follows:

1. The referenced and attached *Examination Report* is hereby **ADOPTED** and **APPROVED** and by this reference, incorporated herein and made a part hereof;

2. Hartford shall endeavor to comply with the recommendations contained in the *Examination Report*;

3. Hartford shall continue to monitor its compliance with applicable West Virginia law.

4. Hartford shall specifically cure the violations and deficiencies identified in the *Examination Report* so as to bring itself into compliance and conformity with West Virginia law, as set forth hereinabove, to the extent such has not already been completed and/or accomplished;

5. Hartford shall file a Corrective Action Plan (CAP), subject to the approval of the Commissioner, which said CAP shall detail Hartford's changes to its procedures and/or internal

policies to ensure compliance with West Virginia law and shall further incorporate all recommendations of the Commissioner's examiners and address all violations specifically cited in the *Examination Report*;

6. The CAP shall be submitted to the Commissioner for his approval within 30 days of the date this order is entered;

7. Hartford shall make reasonable changes to the CAP if and as directed by the Commissioner within 30 days of its receipt of the Commissioner's changes to, or disapproval of, the CAP;

8. Hartford shall, within 90 days of its receipt of notice from the Commissioner of his final approval thereof, implement the CAP; and

9. Hartford shall pay an administrative penalty in the amount of Fifteen-Thousand Dollars (\$15,000.00) for its non-compliance with West Virginia law as set forth hereinabove, the assessment of which penalty is in lieu of any other regulatory penalty and shall be remitted within 30 calendar days of the date this order is entered.

Entered this 1<sup>ST</sup> day of June, 2022.



Allan L. McVey  
CPCU, ARM, AAI, AAM, AIS  
Insurance Commissioner

MARKET CONDUCT  
REPORT OF EXAMINATION  
OF

**Property & Casualty Insurance Company of Hartford NAIC #34690**  
Hartford, Connecticut

AS OF MAY 31, 2021



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## SALUTATION

April 22, 2022

The Honorable Allan L. McVey, CPCU, ARM, AAI, AAM, AIS  
West Virginia Insurance Commissioner  
900 Pennsylvania Ave.  
Charleston, West Virginia 25302

Pursuant to the authority vested in the West Virginia Offices of the Insurance Commissioner ("WVOIC"), as well as rules, regulations and procedures promulgated by the National Association of Insurance Commissioners ("NAIC"), a targeted market conduct examination has been made of:

Property & Casualty Insurance Company of Hartford NAIC #34690  
501 Pennsylvania Parkway, Suite 400  
Indianapolis, IN 46280

hereinafter referred to as the "Company." The following Report of Examination ("Report") is respectfully submitted.

## HISTORY

The Company was incorporated on May 4, 1989 under the laws of the State of Indiana and commenced business on January 1, 1994. The Company is a member of the Hartford Fire & Casualty Group whose ultimate parent is The Hartford Financial Services Group, Inc. Property & Casualty Insurance Company of Hartford wrote the following lines of private passenger automobile premium in West Virginia during the examination period:

Period	19.2 Other Private Passenger Auto Liability Direct Written Premium	21.1 Private Passenger Auto Physical Damage Direct Written Premium	Total Direct Written Premium
2021	\$2,738,671	\$2,029,092	\$4,767,763
2020	\$3,153,037	\$2,253,253	\$5,406,290
2019	\$3,519,945	\$2,430,550	\$5,950,495
2018	\$3,904,213	\$2,510,329	\$6,414,542

The Company is authorized to transact the business of insurance as defined in Chapter 33

Marine – Article 1, Section 10(d)

Surety – Article 1, Section 10(f)(1)

Accident & Sickness – Article 1, Section 10(b)

Fire – Article 1, Section 10(c)

Casualty – Article 1, Section 10(e)

Surety – Article 1, Section 10(f)(2)

Surety – Article 1, Section 10(f)(3)

Casualty – Article 1, Section 10(e)(14)

of the 1931 Code of West Virginia as amended, in the State of West Virginia.

## EXECUTIVE SUMMARY

This summary of the Examination of the Company is intended to provide a high-level overview of the Examination results highlighting where recommendations were made or required actions were noted. The body of the Report provides details of the scope of the Examination, the Examination approach, review and test procedures conducted, findings and observations, recommendations and required actions and, if applicable, subsequent Company actions. Company managerial and supervisory personnel from each operational area should review the Report for results relating to their specific area.



## SCOPE OF EXAMINATION

The Examiners have performed a targeted Market Conduct Examination ("Examination") of the Company. The Examination commenced on November 2, 2021 pursuant to W.Va. Code §33-2-9 and Administrative Proceeding No. 20-FP-CC-02027. The Examination covers the period from January 1, 2018 through May 31, 2021 ("Period").

The purpose of the Examination is to assess whether the Company processed private passenger automobile insurance policy cancellations in accordance with policy contract provisions, Company procedures, and pertinent laws. The general procedures of the Examination followed rules and standards as set forth in the National Association of Insurance Commissioners ("NAIC") Market Regulation Handbook ("Handbook"), West Virginia Laws, and Directives of the WVOIC.

The scope of the Examination was limited to an analysis of policy cancellation transaction data and cancellation transactions within the Underwriting and Rating area which were examined against the following Handbook standards and West Virginia laws:

A. Underwriting and Rating Standards

1. Chapter 20, Standard 8 – Cancellation/nonrenewal, discontinuance and declination notices comply with policy and contract provisions, state laws and the regulated entity's guidelines.
2. Chapter 21, Standard 16 – 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.
3. Examiners' Standard – Review the Company's policies and procedures.

B. West Virginia laws

- W. Va. Code §33-6A-1 (a) (4) (A)
- W. Va. Code §33-6A-1(b)
- W. Va. Code §33-6A-1(c)
- W. Va. Code §33-6A-1(d)
- W. Va. Code §33-6A-1(a)
- W. Va. Code §33-6A-2
- W. Va. Code §33-6A-3

The Report is presented on an exception basis. It is designed to set forth the facts with regard to any findings disclosed during the Examination. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were discussed with WVOIC during the course of the Examination.

Examiners from Risk & Regulatory Consulting, LLC participated in this Examination in their capacity as Market Conduct Examiners under the direction and supervision of the WVOIC. The Examiners provide no representations regarding questions of legal interpretation or opinion, which is the sole responsibility of the WVOIC.

### **EXAMINERS' METHODOLOGY**

The Examination is based on data analysis, standards, and testing approved by the WVOIC and based on the Handbook standards which served as a basis for this Examination and may have been modified to reflect statutes and regulations referenced herein. During the course of the Examination, the Examiners reviewed the Company's data and documentation to verify compliance within the scope of the Examination. Specifically, the Examination focused on a review of the following:

#### **A. Underwriting**

1. Review the Company's underwriting policies and procedures related to policy cancellations.
2. Using the population data of all policies cancelled by the Company during the Period, perform data sorts, and identify the total population of policies in effect for at least 60 days and renewals that were cancelled due to suspension or revocation of a driver's license. From the total population of policies in effect for at least 60 days and renewals that were cancelled due to suspension or revocation of a driver's license, determine the number of cancellations that were associated with a complaint and the number of cancellations that were associated with a claim.
3. From the population of all policies in effect for at least 60 days and renewal policies cancelled by the Company due to suspension or revocation of a driver's license,

select a random sample of 50 cancelled policies and review the first 25 samples to determine if :

- a. The driver's license suspension or revocation conviction occurred within the policy period.
- b. The cancellation complied with W. Va. Code §33-6A-1(a) (4) (A)
- c. Premium refunds were processed timely.

If results warrant, complete testing for the remaining 25 samples.

4. From the population of all policies in effect for at least 60 days and renewal policies cancelled by the Company for any reason, select a random sample of 50 cancelled policies and review the first 25 samples to determine if:

- a. The cancellation complied with applicable statutes.
- b. The cancellation complied with the Company's policies and procedures.
- c. The cancellation complied with policy contract provisions.
- d. Premium refunds were processed timely

If results warrant, complete testing for the remaining 25 samples.

### **FINDINGS, OBSERVATIONS, AND RECOMMENDATIONS**

The following is a summary of all findings and observations, along with related required actions and recommendations and, if applicable, subsequent Company actions noted in this Examination. All West Virginia laws, regulations and bulletins cited in this report may be viewed on the WVOIC's website at: <https://www.wvinsurance.gov/Legal-Authority>.

#### **Finding 1 Underwriting**

WV Code § 33-6A-1(a) (4) (A) Cancellation prohibited except for specific reasons; notice.

The Company did not comply with WV Code § 33-6A-1(a) (4) (A) of the WV Code in 12 instances when the Company cancelled renewal policies for a suspended or revoked driver's license that occurred prior to the policy period or was not documented as occurring during the policy period.

The Company agreed with the finding.

### Finding 2 – Underwriting

W. Va. Code §33-6A-1(c) Cancellation prohibited except for specific reasons; notice.

The Company did not comply with W. Va. Code §33-6A-1(c) of the WV Code in one instance when the Company failed to show that the cancellation notice was sent at least 14 days prior to the cancellation effective date as required by W. Va. Code §33-6A-1(c). The Company agreed with the finding.

### Finding 3 - Underwriting

WV Code § 33-6A-1a (b) Loss payee defined; notification of cancellation and nonrenewal to loss payee.

The Company did not comply with WV Code § 33-6A-1a (b) of the WV Code in 10 instances when the Company failed to provide sufficient prior notice of cancellation to the loss payees. The Company agreed with the finding.

Observation 1 – The Examiners identified 44 policies from the universe of policies cancelled by the Company during the Period that were cancelled due to a suspended or revoked driver's license. The Examiners identified one of the 44 policies to be associated with a complaint to the WVOIC. The policy identified was associated with Administrative Proceeding No.20-FP-CC-02027.

Observation 2 - The Examiners identified 44 policies from the universe of policies cancelled by the Company during the Period that were cancelled due to a suspended or revoked driver's license. The Examiners identified none of the 44 policies to be associated with a claim against the policy.

Observation 3 – The Examiners identified an instance when a policy renewal was issued but the expiring policy was cancelled for nonpayment of premium prior to the policy expiration date. The cancellation transaction was processed correctly, and the cancellation notice was mailed to the named insured at the address on the policy. The Company then cancelled the renewal policy flat using a letter of rescission to the correct policy address, but inadvertently addressed the letter to the named insured's wife in error.

## **SUMMARY OF EXAMINATION RECOMMENDATIONS**

1. The Company must enhance or establish procedures to ensure that renewal policies and other policies in effect for more than 60 days are not cancelled for a driver's license suspension or revocation that occurred prior to the policy period.
2. The Company must enhance or establish procedures to ensure that all letters of policy rescission are mailed to the named insured to the address shown in the policy.
3. The Company must enhance or establish procedures to ensure that all notices of cancellation to the insured are made in accordance with the prior notice provisions of WV Code § 33-6A.
4. The Company must enhance or establish procedures to ensure that notices of cancellation to loss payees on the policy are made in accordance with the same notice requirements established for the insured pursuant to sections one and four of WV Code § 33-6A.

## ACKNOWLEDGEMENT AND SIGNATURE

This is to certify that the undersigned is a duly qualified Examiner appointed by the West Virginia Offices of the Insurance Commissioner. In addition to the undersigned, Sam Binnun, CIE, LUTCF, MCM, Partner; Michael Descy, CIA, CISA, MCM, MBA, Audit Data Analytics Manager; Sean Betta, CIE, AIRC, ALMI, AMCM, Supervising Examiner; and Stephan Donk, AIE, CPCU, MCM of Risk & Regulatory Consulting, LLC, participated in the examination.

The examination was performed in accordance with those procedures authorized by the NAIC Market Regulation Handbook and other procedures appropriate for this examination. The attached report of examination is a true and complete report of market conduct condition of Property & Casualty Insurance Company of Hartford as of May 31, 2021 as determined by this examination.

Respectfully Submitted,



Kent Dover, CIE, CPCU, ALMI, MCM  
Senior Manager  
Risk & Regulatory Consulting, LLC  
Representing the WV Offices of the Insurance Commissioner



Tom Whitener, CPCU, CIE, FLMI, CCP, AFSB, AMCM  
Market Conduct Director  
WV Offices of the Insurance Commissioner