

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

*In the Matter of:*

**THE HARTFORD GROUP**

Administrative Proceeding No. 21-IC-02224

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 Examination* (hereinafter, the "*Examination Report*") of The Hartford Group (hereinafter, "The Hartford") for the examination period ending June 30, 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 limited to a review of the underwriting guidelines and procedures with respect to re-underwritten policies to determine if re-underwritten transactions were conducted in compliance with company procedures and West Virginia law. 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, 2020 through June 30, 2021.

2. On or about October 28, 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 The Hartford and The 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. The Hartford filed a rebuttal stating that it disagreed with Finding number 1 of the *Examination Report*.

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

5. The exam discovered three (3) areas of concern.

6. The Commissioner reviewed the *Examination Report* and considered The Hartford's rebuttal 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 The Hartford's continued compliance with West Virginia law.

4. The Hartford was predominantly compliant with the standards reviewed.

5. As detailed in the *Examination Report*, The Hartford had the following areas of concern:

- Finding 1: In one instance the company made a statement in a letter to an insured which was not clear and could be construed as a violation of W.VA. Code § 33-11-4(2). The Hartford filed a rebuttal to this finding which the Commissioner has considered. The company will not be penalized for this finding but should ensure that its letters to insureds are clear and concise.
- Finding 2: In one instance the company arbitrarily assigned tier 2 to a policy in violation of its rate filing and failed to re-underwrite and re-rate the policy based upon the insured's request to run an insurance score at renewal pursuant to West Virginia Insurance Bulletin No. 20-12.
- Finding 3: In one instance the company did not comply with its insurance score re-write procedures when the service representative failed to obtain a valid insurance score, failed to notify the insured to call back to enable the company to obtain a valid score, and issued a re-written policy without a valid insurance score.

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

### ORDER

Pursuant to W.Va. Code §33-2-9(j)(3)(A), following the review of the *Examination Report*, the examination work papers, and The 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. The Hartford shall endeavor to comply with the recommendations contained in the *Examination Report*;

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

4. The 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. The Hartford shall file a Corrective Action Plan (CAP), subject to the approval of the Commissioner, which said CAP shall detail The 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. The 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. The Hartford shall, within 90 days of its receipt of notice from the Commissioner of his final approval thereof, implement the CAP; and

9. Pursuant to W.Va. Code §§ 33-2-9 and 33-3-11(b), The Hartford shall pay an administrative penalty in the amount of Three Thousand Dollars (\$3,000.00) 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 23<sup>rd</sup> day of January, 2023.

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

MARKET CONDUCT  
REPORT OF EXAMINATION  
OF

The Hartford Group

**Hartford Insurance Company of the Midwest NAIC #37478**  
**Property & Casualty Insurance Company of Hartford NAIC #34690**  
**Trumbull Insurance Company NAIC #27120**  
**Twin City Fire Insurance Company NAIC #29459**

Hartford, Connecticut

AS OF JUNE 30, 2021



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## SALUTATION

October 28, 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 ("Examination") has been made of:

Hartford Insurance Company of the Midwest NAIC #37478  
Property & Casualty Insurance Company of Hartford NAIC #34690  
Trumbull Insurance Company NAIC #27120  
Twin City Fire Insurance Company NAIC #29459  
One Hartford Plaza  
Hartford, CT 06155

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



## HISTORY

The Companies are members of the Hartford Fire & Casualty Group. Trumbull Insurance Company, Property & Casualty Insurance Company of Hartford, and Hartford Insurance Company of the Midwest all offer homeowners products through a Direct-to-Consumer channel for AARP members. Twin City Fire Insurance Company offers homeowners products through an Agency channel for AARP members. Both Trumbull Insurance Company and Twin City Fire Insurance Company offer the Home Advantage rating program that is currently writing both new and renewal business, while Property & Casualty Insurance Company of Hartford and Hartford Insurance Company of the Midwest offer the PLIC2000 and PLIC84 rating programs, respectively. Both of these class plans are renewal policies only. Hartford Insurance Company of the Midwest ceased writing new business on 12/31/2000. The Companies then launched the PLIC2000 program for new and renewal business on 1/1/2001 in the Property & Casualty Insurance Company of Hartford writing company. On 12/10/2011, the Companies ceased writing new business in the PLIC2000 program and opened the Home Advantage program for new and renewal business. All four writing companies only offered one-year policy terms.

### Hartford Insurance Company of the Midwest

The Company was incorporated as an Indiana stock property and casualty insurance Company on September 11, 1979 and commenced business on January 1, 1980.

### Property & Casualty Insurance Company of Hartford

The Company was incorporated on May 4, 1989 under the laws of the State of Indiana and commenced business on January 1, 1994.

### Trumbull Insurance Company

Trumbull Insurance Company was incorporated on October 10, 1986\*\* under the laws of the State of Connecticut and commenced business on December 30, 1986. Formally Hartford Insurance Company of Connecticut - Name changed April 1992. \*\*Trumbull Insurance Company is the surviving corporation of a merger with Hartford Insurance Company of Alabama, an Alabama corporation incorporated in August 1979.

### Twin City Fire Insurance Company

The original Company was incorporated on July 10, 1910 under the laws of Minnesota and began business in April 1913. The Company was acquired by the Hartford Fire Insurance Company in

February 1921. A new Company, "Twin City Fire Insurance Company of Indiana", was incorporated on March 5, 1987 with the intent of merging the original Company into the new. On July 1, 1987 the two companies were merged with the resultant change of domicile to the State of Indiana. Effective on the merger date the new Company changed its name by dropping "of Indiana."

The Companies wrote the following lines of private passenger automobile premium in West Virginia during the years 2020 - 2021:

Company	2021 Line 19.2 Other Private Passenger Auto Liability Direct Written Premium	2021 Line 21.1 Private Passenger Auto Physical Damage Direct Written Premium	2020 Line 19.2 Other Private Passenger Auto Liability Direct Written Premium	2020 Line 21.1 Private Passenger Auto Physical Damage Direct Written Premium	Total Direct Written Premium
Hartford Insurance Company of the Midwest	\$2,846,134	\$2,333,295	\$3,394,428	\$2,635,787	\$11,209,644
Property & Casualty Insurance Company of Hartford	\$2,738,671	\$2,029,092	\$3,153,037	\$2,253,253	\$10,174,053
Trumbull Insurance Company	\$9,010,295	\$5,933,457	\$8,594,684	\$5,989,187	\$29,527,623
Twin City Fire Insurance Company	\$529,156	\$355,291	\$617,014	\$426,295	\$1,927,756

The Companies are authorized to transact the business of insurance as defined in Chapter 33 of the 1931 Code of West Virginia as amended, in the State of West Virginia.

- 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)

### **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 an Examination of the Companies. The Examination commenced on or after October 18, 2021 pursuant to W.Va. Code §33-2-9 and covers the examination period from January 1, 2020 through June 30, 2021 (“Examination Period”).

The purpose of the Examination is to assess whether the Companies processed homeowners policy reunderwritten and rewritten transactions 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”) and West Virginia Laws, Regulations, and Directives of the WVOIC.

The scope of the Examination was limited to a review of the Companies’ underwriting policies and procedures, manuals, and guidelines (collectively “Procedures”) to determine if application of reunderwritten transactions were conducted in compliance with those Procedures and in compliance with West Virginia insurance laws. This included a review of all West Virginia homeowners policies the Company identified as reunderwritten during the Examination Period. The reunderwritten Procedures and homeowners policies were examined against the following West Virginia laws and bulletins:

W. Va. Code §33-11-3

W. Va. Code §33-11-4

Bulletin 20-12

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 testing approved by the WVOIC and based on the Handbook 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 with the scope of the Examination. Specifically, the Examination focused on a review of the following:

#### **A. Underwriting and Rating**

1. Review policies, procedures, rating manuals, and guidelines for the Homeowners policy product line to ensure the materials do not prescribe practices that may be unfairly discriminatory.
2. From the population of all Homeowners policies identified by the Company as reunderwritten during the examination period, select the entire population of 17 reunderwritten Homeowners sample policies to determine whether:
  - a. The Company reunderwrote the policies in accordance with their policies, procedures, and guidelines.

- b. The reason for reunderwriting the policies complies with West Virginia insurance laws and the Company's policies and procedures, manuals, and guidelines.

## **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 § 33-11-3, WV Code § 33-11-4 (2) Unfair methods of competition and unfair or deceptive acts or practices prohibited. Unfair methods of competition and unfair or deceptive acts or practices defined.

The Company did not comply with WV Code § 33-11-3 and WV Code § 33-11-4 (2) in one instance when the Company falsely stated to the insured that the only difference between the insured's replaced policy and a new rewritten policy was the policy number, when in fact the policy premium on the rewritten policy was significantly higher than the premium on the expiring policy, the protection class was changed to a higher rated class, and the distances from a fire hydrant and a fire station were both changed. The Company disagreed with the finding.

### Finding 2 Underwriting

WV Code § 33-20-4 (k). Rate filings. West Virginia Insurance Bulletin No. 20-12 Insurance Scoring for Personal Lines13. b.

The Company did not comply with WV Code § 33-20-4 (k) in one instance when it arbitrarily assigned tier 2 to a policy in violation of its rate filing. In addition, the Company did not comply with West Virginia Insurance Bulletin No. 20-12 Insurance Scoring for Personal Lines13. b. when, upon request of the insured, the Company failed to re-underwrite and re-rate the policy based upon a current credit report or insurance score at renewal. The Company agreed that the assignment of the policy to tier 2 was a violation of their filing.

### Finding 3 Underwriting

#### Company procedural violation

The Company did not comply with its insurance score rewrite (verbal) procedures in one instance when the service representative failed to obtain a valid insurance score, failed to notify the insured to call back to enable the Company to obtain a valid score, and issued a rewritten policy without a valid insurance score. The Company noted that the service representative should have followed this procedure.

Observation 1 – Deficiencies in Insurance Score Re-write Procedures – The Examiners found that the Company's written procedure to reorder an insurance score is deficient when the system fails to return a score due to line failure<sup>1</sup>. When this occurs during quoting, the procedure prompts the representative to obtain the last four digits of the customer's social security number and reorder the score. If the score status returns again as a line failure, the procedure states that no further action is required and fails to prompt the representative to follow the Company's verbal procedure, which is to advise the customer to call back at a later time to obtain a score and a quote. The Company has agreed to review its process on how to handle an insurance rescore request when line failure occurs.

Observation 2 – Deficiency in Automated Pre-renewal Notification Procedure – The Examiners found that the Company's automated pre-renewal notification process includes sending a written notice to the policyholder advising that, if the insured requests it, the Company is required by state law to look up the insured's latest insurance score once per year, and, if improved, may be able to offer a lower premium. This notice includes the statement, "...but rest assured, we'll never use your updated insurance score to raise your price." This statement within the notice may not always be accurate, since the Company will use the new insurance score at every third consecutive renewal even if it results in a higher price. In addition, there is a lag of 45-50 days between the pre-notification (94 days prior to renewal) and renewal processing (45 days prior to renewal) which is the only time when the Company will process a policyholder's request for a new insurance score. This procedure puts the onus on the policyholder to request the rescore up to three separate times for a single rescore request event.

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<sup>1</sup> Line failure is the inability to connect with the Company's insurance score vendor interactively. Thus, the Company does not receive a requested insurance score.

Observation 3 - System Limitation. The Examiners found that in three of the 17 sample reunderwritten policies, the policies were set in the Company's processing system to non-renew which prevented the renewal from running at the standard 45-day window prior to policy expiration, but no non-renewal was processed pending completion of repairs. When proof of repairs was provided by the insured, the non-renewal status in the system could not be reversed due to a system limitation which prevents that action if taken within the 45-day window. The Company's solution was to issue the renewal policy as a manually rewritten policy then rewrite the policy at a later date to a system-supported policy. The Company stated there were no plans to address the system limitation. The Company considers these rewrite transactions to be due to "Company Error", so they fall within the "Standard Rewrite" category so no reunderwriting activity takes place other than to verify the account credit, retiree credit, and protective devices credits.

Observation 4 – Replacement Cost Error. The Examiners found that in one sample reunderwritten policy the Coverage A Replacement Cost was 100% whereas the Coverage A Replacement Cost in the replaced policy was 105%. The Examiners requested an explanation for this reduction in coverage. The Company stated that the Coverage A Replacement Cost in the rewritten policy should have been manually entered as 105% but was not due to an inadvertent error by the representative.

Observation 5 – Inbound Calls Documentation. The Examiners found that in two sample reunderwritten policies, documentation cited by the Company as evidence an insured contacted the Company requesting an insurance rescore did not clearly indicate that such a request was made.

Observation 6 – HO-3 Coverage Form Not Listed in Declarations. The Examiners found that in two sample reunderwritten policies issued by the Trumbull Insurance Company, coverage form HO 00 03 10 10 was included in the reunderwritten policy but was later omitted from the listing of policy coverage forms contained in the first amended policy declarations page, form H-9800-0 (Ed. 10/18).

Observation 7 – Use of Social Security Numbers for Insurance Scores. The Examiners found that under the Company's Processing a Home Rewrite procedure, the Company uses the policyholder's social security number to reorder an insurance score if the original request returns as No Hit or No Score. Also, under the Company's procedure to review an insurance score status,

when quoting a customer who does not want to provide the last four digits of their social security number, the representative is directed to advise the customer that the policy will be quoted based on the No Hit or No Score return. Policyholders and customers who refuse to submit a social security number or the last four digits of the number do not have an opportunity to receive a score or a new score and receive a quote based on No Hit or No Score whereas policyholders and customers who submit their social security numbers or the last four digits have the opportunity to obtain a score or a new score.

### **SUMMARY OF EXAMINATION RECOMMENDATIONS**

1. The Company should review the form letters used with rewritten policies and revise as necessary to ensure that statements made in the form letters are true and accurate in every instance.
2. The Company should ensure that the Company's filed rates are used with every policy issued by the Company.
3. The Company should consider implementing a system enhancement that permits processing of renewal policies within 45 days of the renewal effective date without necessitating a manual policy rewrite to reduce the frequency of manually rewritten renewal policies and mistakes in the rewritten policy coverage such as noted in Observation 4 that may occur due to manual processing.
4. The Company should review its procedures for the documentation of inbound calls from customers and consider revising its process to include a more robust description of the purpose of the call.
5. The Company must revise its automated policy system or implement a procedural change to ensure that Trumbull Insurance Company amended policy declarations page, form H-9800-0 (Ed. 10/18) includes coverage form HO 00 03 10 10 in the HO-3 policy forms listing.
6. The Company should review its procedures to ensure that customers who do not wish to share their social security numbers are still able to obtain a valid insurance score other than No Hit or No Score as are customers who do share their social security numbers.



### **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, Stephan Donk, AIE, CPCU, MCM, Supervising Examiner 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 the market conduct condition of Hartford Insurance Company of the Midwest, Property & Casualty Insurance Company of Hartford, Trumbull Insurance Company, and Twin City Fire Insurance Company as of June 30, 2021 as determined by this examination.

Respectfully Submitted,



Kent Dover, CIE, CPCU, ALMI, AMCM  
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