



**COMMONWEALTH OF PENNSYLVANIA  
INSURANCE DEPARTMENT**

MARKET CONDUCT  
EXAMINATION REPORT

OF

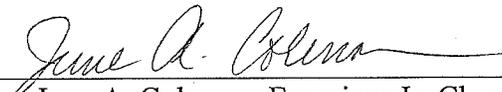
**THE TRAVELERS INDEMNITY  
COMPANY OF AMERICA  
HARTFORD, CT**

As of: September 27, 2011  
Issued: February 10, 2012

**BUREAU OF MARKET ACTIONS  
PROPERTY AND CASUALTY DIVISION**

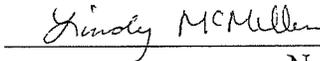
VERIFICATION

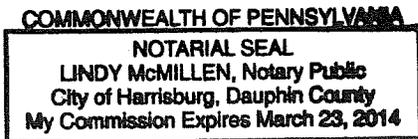
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).

  
June A. Coleman, Examiner-In-Charge

Sworn to and Subscribed Before me

This 27 Day of September, 2011

  
Notary Public



# THE TRAVELERS INDEMNITY COMPANY OF AMERICA

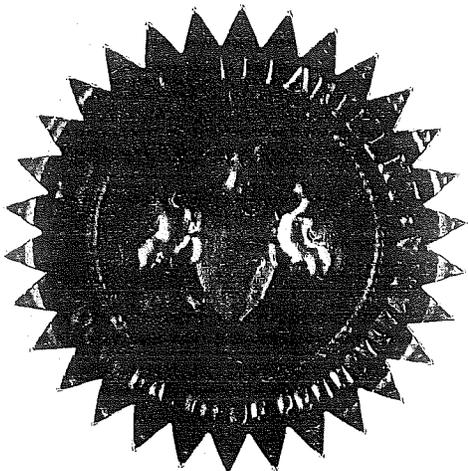
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BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 27<sup>th</sup> day of April, 2011, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Ronald A. Gallagher, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.



  
Michael F. Consedine  
Insurance Commissioner



CONSENT ORDER

AND NOW, this *10th* day of *February*, 2012, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

3. Respondent neither admits nor denies that it violated any Pennsylvania insurance laws or regulations.

FINDINGS OF FACT

4. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is The Travelers Indemnity Company of America, and maintains its address at One Tower Square, Hartford, CT 06183.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2009 through June 30, 2010.
- (c) On September 27, 2011, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on October 27, 2011.
- (e) The Examination Report notes violations of the following:
  - (i) 40 P.S. § 310.41.1-A, which prohibits any insurance entity or licensee accepting applications or orders for insurance from any person or securing any insurance business that was sold, solicited or negotiated by any person acting without an insurance producer license;
  - (ii) 40 P.S. § 310.71, which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;

- (iii) Section 1 of Act 86 (40 P.S. § 3401), which requires a policy of insurance covering property or casualty risks in this Commonwealth shall provide for not less than 30 days advance notice to the named insured of an increase in renewal premium;
- (iv) Section 3(a)(1) of Act 86 (40 P.S. § 3403), which states the midterm cancellation notice shall be forwarded by registered or first class mail or delivered by the insurance company directly to the named insured or insureds;
- (v) Section 3(a)(2) of Act 86 (40 P.S. § 3403), which requires that a nonrenewal notice be forwarded directly to the named insured or insureds at least 60 days in advance of the effective date of termination;
- (vi) Section 3(a)(5) of Act 86 (40 P.S. § 3403), which requires that a cancellation notice shall state the specific reasons for cancellation. The reasons shall identify the condition, factor or loss experience, which caused the cancellation. The notice shall provide sufficient information or data for the insured to correct the deficiency;
- (vii) Section 3(a)(6) of Act 86 (40 P.S. § 3403), which requires that a cancellation notice shall state that at the insured's request, the insurer shall provide loss

information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less;

- (viii) Section 4(b) of Act 86 (40 P.S. § 3404), which requires that unearned premium be returned to the insured not later than 30 days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insured;
  
- (ix) Section 4(c) of Act 86 (40 P.S. §3404), which states where the amount of return premium to be returned cannot be calculated precisely within the required time period for return premium because: The policy was written on the basis of an estimated premium or the policy was issued subject to a premium audit, unearned premium shall be returned to the insured on an estimated basis. Upon the insurer's completion of computation of the exam premium to be returned, an additional return premium or charge shall be made to the named insured within 15 days of the final computation;
  
- (x) Section 7(c) of Act 86 (40 P.S. § 3407), which states an insurer may cancel the policy provided it gives at least 30 days' notice of the termination and provided it gives notice no later than the 60<sup>th</sup> day, unless the policy provides for a longer period of notification;

- (xi) Section 5(a)(4) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.5(a)(4)), which prohibits unfair methods of competition and unfair or deceptive acts or practices;
- (xii) Section 5(a)(9) of Act 205 (40 P.S. § 1171.5), which prohibits cancellation of any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued;
- (xiii) Section 5(a)(9)(iv) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.5), which requires that a cancellation notice shall advise the insured of his right to request, in writing, within ten days of the receipt of the notice of cancellation or intention not to renew that the Insurance Commissioner review the action of the insurer;
- (xiv) Section 5(a)(9)(v) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.5(a)(9)(v)) requires that a cancellation notice shall advise the insured of his possible eligibility for insurance under The PA Fair Plan Act;

- (xv) Section 5(a)(10)(vi) of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171.5), which states any of the following acts, if committed or performed with such frequency as to indicate a business practice, shall constitute unfair claim settlement or compromise practices: Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which the company's liability under the policy has become reasonably clear;
- (xvi) Section 506.1 of the Insurance Company Law (40 P.S. §636.1), which requires that basic property insurance shall be continued 180 days after the death of the named insured on the policy or until the sale of the property, whichever event occurs first provided that the premiums for the coverage are paid;
- (xvii) Sections 4(a) and 4(h) of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in this Commonwealth and prohibits an insurer from making or issuing a contract or policy with rates other than those approved;
- (xviii) Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), which requires all applications for insurance and all claim forms shall contain or have attached thereto the following notice: "Any person who knowingly and with intent to defraud any insurance company or other person files an

application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties”;

- (xix) Title 31, Pennsylvania Code, Section 113.88, which states the reason given for nonrenewal shall be clear and complete. It shall be stated so that a person of average intelligence and education can understand it. Phrases such as “losses” or “underwriting reasons” are not sufficiently specific reasons for nonrenewal;
- (xx) Title 31, Pennsylvania Code, Section 146.5(a), which states every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice, unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated;
- (xxi) Title 31, Pennsylvania Code, Section 146.6, requires that every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with

a reasonable written explanation for the delay and state when a decision on the claim may be expected; and

- (xxii) Title 75, Pennsylvania Consolidated Statutes, Section 1822, which requires not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a statement that clearly states, in substance, the following: Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing any false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000.00.

#### CONCLUSIONS OF LAW

5. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of Sections 641.1A and 671-A of Act 147 of 2002 are punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):

- (i) suspension, revocation or refusal to issue the certificate of qualification or license;
  - (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
  - (iii) an order to cease and desist; and
  - (iv) any other conditions as the Commissioner deems appropriate.
- (c) Respondent's violations of Sections 1, 3, 4 and 7 of Act 86 (40 P.S. §§ 3401, 3403, 3404 and 3407), are punishable under Section 8 (40 P.S. § 3408) of this act by one or more of the following causes of action:
- (i) Order that the insurer cease and desist from the violation.
  - (ii) Impose a fine or not more than \$5,000 for each violation.
- (d) Respondent's violations of Sections 5(a)(4), 5(a)(9) and 5(a)(10) of the Unfair Insurance Practices Act, No. 205 (40 P.S. §§ 1171.5) are punishable by the following, under Section 9 of the Unfair Insurance Practices Act (40 P.S. § 1171.9):
- (i) cease and desist from engaging in the prohibited activity;
  - (ii) suspension or revocation of the license(s) of Respondent.
- (e) In addition to any penalties imposed by the Department for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Department may, under Sections 10 and 11 of the Unfair

Insurance Practices Act (40 P.S. §§ 1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:

- (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);
  - (ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).
- (f) Respondent's violations of Section 506.1 of The Insurance Company Law, No. 284 (40 P.S. § 636.1) are punishable by the following, under Section 507 of the Insurance Company Law (40 P.S. § 637), which provides that the Insurance Commissioner may suspend or revoke the license of any offending entity, refuse to issue a new license, or impose a penalty of not more than \$1,000 for each violation of this section.
- (g) Respondent's violations of Sections 4(a) and (h) of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. § 1184) are punishable under Section 16 of the Casualty and Surety Rate Regulatory Act:

- (i) imposition of a civil penalty not to exceed \$50 for each violation or not more than \$500 for each such willful violation;
  - (ii) suspension of the license of any insurer which fails to comply with an Order of the Commissioner within the time limited by such Order, or any extension thereof which the Commissioner may grant.
- (h) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.5 and 146.6, are punishable under Sections 9, 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.9, 1171.10 and 1171.11), as stated above.

ORDER

6. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.

- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Fifteen Thousand Dollars (\$15,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.
- (e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Bureau of Market Actions, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

7. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or it may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. Alternatively, in the event there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon,

reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

9. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

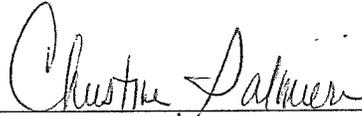
10. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

11. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

12. The signatories, below, represent and warrant that they have full and unqualified legal authority to enter into and execute this Consent Order on behalf of the respective parties, and said Order shall be binding on their heirs, successors and assigns now and in the future.

13. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: THE TRAVELERS INDEMNITY  
COMPANY OF AMERICA, Respondent



\_\_\_\_\_  
Christine Palmieri, 2<sup>nd</sup> Vice President  
Corporate Compliance & Market Regulation



\_\_\_\_\_  
COMMONWEALTH OF PENNSYLVANIA  
By: Ronald A. Gallagher, Jr.  
Deputy Insurance Commissioner

## *I. INTRODUCTION*

The market conduct examination was conducted at The Travelers Indemnity Company of America's offices located in Reading, Pennsylvania and Hartford, Connecticut, from November 1, 2010, through April 21, 2011. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

Pennsylvania Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review those areas of concern in order to determine the potential impact upon Company operations or future compliance. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties.

In certain areas of review listed in this Report, the examiners will refer to "error ratio." This error ratio is calculated by dividing the number of policies with violations by the total number of policies reviewed. For example, if 100 policies are reviewed and it is determined that there are 20 violations on 10 policies, the error ratio would be 10%.

Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the officers and employees of the Company during the course of the examination is hereby acknowledged.

The following examiners participated in this examination and in preparation of this Report.

Chester A. Derk, Jr., AIE, HIA  
Market Conduct Division Chief

June A. Coleman  
Market Conduct Examiner

James R. Myers  
Market Conduct Examiner

Constance L. Arnold  
Market Conduct Examiner

## II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on The Travelers Indemnity Company of America, hereinafter referred to as "Company," at their offices located in Reading, Pennsylvania and Hartford, Connecticut. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of July 1, 2009, through June 30, 2010, unless otherwise noted. The purpose of the examination was to determine the Company's compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

### 1. Private Passenger Automobile

- Underwriting – Appropriate and timely notices of nonrenewal and midterm cancellations.
- Rating – Proper use of all classification and rating plans and procedures.

### 2. Property

- Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations and declinations.
- Rating – Proper use of all classification and rating plans and procedures.

### 3. Commercial Property

- Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, renewals and declinations.

4. Commercial Automobile

- Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, renewals and declinations.

5. Workers' Compensation

- Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, renewals and declinations.

6. Claims

7. Forms

8. Advertising

9. Complaints

10. Producer Licensing

### III. COMPANY HISTORY AND LICENSING

The Travelers Indemnity Company of America was incorporated on January 2, 1946, and commenced business on May 1, 1946, under the laws of Georgia. The Company redomesticated to the State of Connecticut effective July 1, 1997. The Company is wholly owned by The Phoenix Insurance Company, a wholly-owned subsidiary of The Travelers Indemnity Company, a wholly-owned subsidiary of Travelers Insurance Group Holdings Inc., a wholly-owned subsidiary of Travelers Property Casualty Corp.

Travelers Property Casualty Corp., a direct, wholly-owned subsidiary of The Travelers Companies, Inc., is a property-casualty insurance holding company engaged, through its subsidiaries, in two business segments: Commercial Lines and Personal Lines.

On April 2, 1996, Travelers Property Casualty Corp. purchased the property and casualty business of The Aetna Casualty and Surety Company and its property-casualty affiliates.

On April 1, 2004, Travelers Property Casualty Corp. merged with The St. Paul Companies and became known as The St. Paul Travelers Companies, Inc.

On February 26, 2007, The St. Paul Travelers Companies, Inc., which changed its name to The Travelers Companies, Inc.

## LICENSING

The Travelers Indemnity Company of America's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2011. The Company is licensed in all states except California. The Company's 2010 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$53,942,789. Premium volume related to the areas of this review were: Fire \$695,364; Farm Owners Multiple Peril \$574,908; Homeowners Multiple Peril \$7,728,729; Commercial Multiple Peril (non-liability portion) \$12,379,895; Commercial Multiple Peril (liability portion) \$7,744,033; Inland Marine \$785,828; Workers' Compensation \$13,285,200; Private Passenger Automobile Direct Written Premium was reported as Private Passenger Auto No-Fault (personal injury protection) \$95,209; Other Private Passenger Auto Liability \$392,634 and Private Passenger Auto Physical Damage \$325,906; Commercial Automobile Direct Written Premium was reported as Commercial Auto No-Fault (personal injury protection) \$142,045; Other Commercial Auto Liability \$2,491,876; Commercial Auto Physical Damage \$935,977.

#### IV. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed. Agency bulletins and underwriting guides were furnished for private passenger automobile, homeowners, dwelling fire, personal articles policies and commercial lines. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

The following findings were made:

*2 Violations Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)]*

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance. The Company's Personal Articles Floater Manual eligibility guidelines stated that an account is not eligible if applicants do not have a Travelers homeowners policy and they have had one or more losses in the past three years. The Company's Homesaver Manual new business eligibility and pricing guidelines stated risks involving any of the following must be referred to an underwriter: secondary/seasonal dwelling may be permitted as an accommodation if we also provide insurance on the insured's primary home.

## V. UNDERWRITING

### **A. Private Passenger Automobile**

#### 1. Midterm Cancellations

A midterm cancellation is any policy that terminates at any time other than the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited, and Section 2006 (40 P.S. §991.2006), which establishes the requirements which must be met regarding the form and conditions of the cancellation notice.

From the universe of 96 private passenger automobile files identified as midterm cancellations, 25 files were selected for review. All 25 files were received and reviewed. No violations were noted.

#### 2. Nonrenewals

A nonrenewal is considered to be any policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date.

The purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited, and Section 2006 (40 P.S. §991.2006), which establishes the requirements which must be met regarding the form and conditions of the cancellation notice.

The universe of 8 private passenger automobile files identified as nonrenewals was selected for review. All 8 files were received and

reviewed. No violations were noted.

## **B. Private Passenger Automobile – Assigned Risk**

Travelers reports its premium writings for private passenger automobile to the Pennsylvania Assigned Risk Plan for its companies under Travelers Indemnity Company. As a result, Travelers Indemnity Company of America does not receive any assignments from the Pennsylvania Assigned Risk Plan.

## **C. Property**

### 1. 60-Day Cancellations

A 60-day cancellation is considered to be any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)], which prohibits an insurer from canceling a policy for discriminatory reasons and Title 31, Pennsylvania Code, Section 59.9(b), which requires an insurer who cancels a policy in the first 60 days to provide at least 30 days notice of the termination.

The universe of 2 inland marine policies which were cancelled within the first 60 days of new business was selected for review. Both files were received and reviewed. No violations were noted.

### 2. Midterm Cancellations

A midterm cancellation is any policy termination that occurs at any time other than the twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the cancellation notice.

From the universe of 1,299 property policies which were cancelled midterm during the experience period, 292 files were selected for review. The property policies consisted of homeowners, tenant homeowners, inland marine, condo, dwelling fire condo and owner occupied dwelling fire. All 292 files were received and reviewed. One file was identified as a nonrenewal. The 4 violations noted were based on 4 files, resulting in an error ratio of 1%.

The following findings were made:

*1 Violation Insurance Company Law, Section 506.1 [40 P.S. §636.1]*

Requires that basic property insurance shall be continued one hundred and eighty days after the death of the named insured on the policy or until the sale of the property, whichever event occurs first provided that the premiums for the coverage are paid. The Company cancelled the policy within 180 days of the death of the named insured.

*1 Violation Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)]*

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was

obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company did not provide any documentation to indicate a notice of cancellation was sent or a request for cancellation was received.

*2 Violations Act 205, Section 5(a)(9)(iv) [40 P.S. §1171.5(a)(9)(iv)]*

Requires that a cancellation notice shall advise the insured of his right to request, in writing, within ten days of the receipt of the notice of cancellation or intention not to renew that the Insurance Commissioner review the action of the insurer.

*AND*

*Act 205, Section 5(a)(9)(v) [40 P.S. §1171.5(a)(9)(v)]*

Requires that a cancellation notice shall advise the insured of his possible eligibility for insurance under the act of July 31, 1968 (P.L. 738, No. 233), known as "The PA Fair Plan Act". The Company failed to provide the right of review and advise the insured of his possible eligibility under the Fair Plan for the 2 files noted.

### 3. Nonrenewals

A nonrenewal is considered to be any policy, which was not renewed, for a specific reason, at the normal twelve-month anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the nonrenewal notice.

From the universe of 45 property policies which were nonrenewed during the experience period, 23 files were selected for review. The property policies consisted of homeowner, tenant homeowner and condo policies. All 23 files were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 13%.

The following findings were made:

*1 Violation Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)]*

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial

increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company nonrenewed the policy improperly.

*2 Violations Act 205, Section 5(a)(9)(iv) [40 P.S. §1171.5(a)(9)(iv)]*

Requires that a cancellation notice shall advise the insured of his right to request, in writing, within ten days of the receipt of the notice of cancellation or intention not to renew that the Insurance Commissioner review the action of the insurer. The Company failed to advise the insured of the right to request a review by the Commissioner within 10 days of receipt of notice. The notices provided in the 2 files noted identified 30 days.

4. Declinations

A declination is any application that is received and the Company declines to write the coverage.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)], discriminatory reasons.

From the universe of 103 property applications reported as being declined during the experience period, 30 files were selected for review. All 30 files were received and reviewed. No violations were noted.

## **D. Commercial Property**

### **1. 60-Day Cancellations**

A 60-day cancellation is considered to be any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 86, Section 7 (40 P.S. §3407), which requires an insurer, who cancels a policy that is in effect less than 60 days, to provide 30 days notice of termination no later than the 60<sup>th</sup> day unless the policy provides for a longer period of notification.

The universe of 6 commercial property policies cancelled within the first 60 days was selected for review. All 6 files were received and reviewed. The files consisted of commercial package, commercial fire and tenant occupied dwelling fire policies. No violations were noted.

### **2. Midterm Cancellations**

A midterm cancellation is any policy termination that occurs at any time other than the twelve-month policy anniversary date.

The purpose of the review was to determine compliance with Act 86, Section 2 (40 P.S. §3402), which prohibits cancellation except for specified reasons and Section 3 (40 P.S. §3403), which establishes the requirements, which must be met regarding the form and condition of the cancellation notice.

From the universe of 174 commercial property policies cancelled midterm during the experience period, 71 files were selected for review. The commercial property files consisted of farm, commercial package, tenant

occupied dwelling fire condo, commercial fire and tenant occupied dwelling fire. All 71 files were received and reviewed. The 14 violations noted were based on 14 files, resulting in an error ratio of 20%.

The following findings were made:

*5 Violations Act 86, Section 3(a)(6) [40 P.S. §3403(a)(6)]*

Requires that a cancellation notice shall state that at the insured's request, the insurer shall provide loss information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less. The Company did not provide an offer of loss information on the notice as required for the 5 files noted.

*1 Violation Act 86, Section 4(b) [40 P.S. §3404(b)]*

Requires that unearned premium be returned to the insured not later than 30 days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insured. The Company did not return the unearned premium to the insured within 30 days after the effective date of termination.

*8 Violations Act 86, Section 4(b) [40 P.S. §3404(b)]*

Requires that unearned premium be returned to the insured not later than 30 days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insured.

*AND*

*Act 86, Section 4(c) [40 P.S. §3404(c)]*

Where the amount of return premium to be returned cannot be calculated precisely within the required time period for return premium because: The policy was written on the basis of an estimated premium or the policy was issued subject to a premium audit, unearned premium shall be returned to the insured on an estimated basis. Upon the insurer's completion of computation of the exact premium to be returned, an additional return premium or charge shall be made to the named insured within 15 days of the final computation. The Company failed to return estimated return premium within 30 days and/or the exact premium within 15 days of final computation for the 8 files noted.

3. Nonrenewals

A nonrenewal is considered to be any policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date.

The review was conducted to determine compliance with Act 86, Section 3 (40 P.S. §3403), which establishes the requirements that must be met regarding the form and condition of the nonrenewal notice.

From the universe of 40 commercial property policies nonrenewed during the experience period, 26 files were selected for review. The commercial property policies consisted of tenant occupied dwelling fire, commercial fire and commercial package. All 26 files were received and reviewed. The 4 violations noted were based on 3 files, resulting in an error ratio of 12%.

The following findings were made:

*2 Violations Act 86, Section 3(a)(2) [40 P.S. §3403(a)(2)]*

Requires that a nonrenewal notice be forwarded directly to the named insured or insureds at least 60 days in advance of the effective date of the termination. The Company did not provide at least 60 days notice of nonrenewal for the 2 files noted.

*1 Violation Act 86, Section 3(a)(6) [40 P.S. §3403(a)(6)]*

Requires that a nonrenewal notice shall state that at the insured's request, the insurer shall provide loss information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less. The Company did not provide an offer of loss information on the notice as required for the file noted.

*1 Violation Act 86, Section 3(a)(5) [40 P.S. §3403(a)(5)]*

Requires that a nonrenewal notice shall state the specific reasons for the nonrenewal. The reasons shall identify the condition, factor or loss experience, which caused the nonrenewal. The notice shall provide sufficient information or data for the insured to correct the deficiency.

*AND*

*Title 31, Pa. Code, Section 113.88*

The reason given for nonrenewal shall be clear and complete. It shall be stated so that a person of average intelligence and education can understand it. Phrases such as "losses" or "underwriting reasons" are not sufficiently specific reasons

for nonrenewal. The reason for nonrenewal was not specific.

#### 4. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to measure compliance with Act 86, Section 1 (40 P.S. §3401), which requires 30 days advance notice of an increase in renewal premium.

From the universe of 2,751 commercial property policies renewed during the experience period, 126 files were selected for review. The commercial property policies consisted of tenant occupied dwelling fire, tenant occupied dwelling fire condo, commercial fire, commercial inland marine and commercial package. All 126 files were received and reviewed. The 2 violations noted were based on 2 files, resulting in an error ratio of 2%.

The following findings were made:

##### *2 Violations Act 86, Section 1 [40 P.S. §3401]*

This section provides that notwithstanding any other provision of law, a policy of insurance covering commercial property or casualty risks in this Commonwealth shall provide for not less than 30 days advance notice to the named insured of an increase in renewal premium. This section does not apply to policies written on a retrospective rating plan. The Company did not provide at least 30 days advance notice to the named insured of an increase in renewal premium for the 2 files noted.

## **E. Commercial Automobile**

### **1. 60-Day Cancellations**

A 60-day cancellation is considered to be any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 86, Section 7 (40 P.S. §3407), which requires an insurer, who cancels a policy that is in effect less than 60 days, to provide 30 days notice of termination no later than the 60<sup>th</sup> day unless the policy provides for a longer period of notification.

The universe of 1 commercial automobile policy cancelled within the first 60 days of new business was selected for review. The file was received and reviewed. The violation resulted in an error ratio of 100%.

The following finding was made:

#### *1 Violation Act 86, Section 7(c) [40 P.S. §3407(c)]*

This act does not apply to commercial property and casualty insurance policies that are in effect less than 60 days, unless they are renewals. An insurer may cancel the policy provided it gives at least 30 days' notice of the termination and provided it gives notice no later than the 60<sup>th</sup> day, unless the policy provides for a longer period of notification. The file noted did not provide at least 30 days' notice of termination to the insured.

## 2. Midterm Cancellations

A midterm cancellation is any policy termination that occurs at any time other than the twelve-month policy anniversary date.

The purpose of the review was to determine compliance with Act 86, Section 2 (40 P.S. §3402), which prohibits cancellation except for specified reasons and Section 3 (40 P.S. §3403), which establishes the requirements, which must be met regarding the form and condition of the cancellation notice.

From the universe of 36 commercial automobile policies which were cancelled during the experience period, 15 files were selected for review. All 15 files were received and reviewed. The 2 violations noted were based on 2 files, resulting in an error ratio of 13%.

The following findings were made:

### *2 Violations Act 86, Section 4(b) [40 P.S. §3404(b)]*

Requires that unearned premium be returned to the insured not later than 30 days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insured.

*AND*

### *Act 86, Section 4(c) [40 P.S. §3404(c)]*

Where the amount of return premium to be returned cannot be calculated precisely within the required time period for return premium because: The policy was written on the basis of an estimated premium or the policy was issued subject to a premium audit, unearned premium shall be returned to the

insured on an estimated basis. Upon the insurer's completion of computation of the exam premium to be returned, an additional return premium or charge shall be made to the named insured within 15 days of the final computation. The Company failed to return estimated return premium within 30 days and/or the exact premium within 15 days of final computation for the 2 files noted.

### 3. Nonrenewals

A nonrenewal is considered to be any policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date.

The review was conducted to determine compliance with Act 86, Section 3 (40 P.S. §3403), which establishes the requirements that must be met regarding the form and condition of the nonrenewal notice.

The universe of 20 commercial automobile policies nonrenewed during the experience period was selected for review. All 20 files were received and reviewed. The 2 violations noted were based on 2 files, resulting in an error ratio of 10%.

The following findings were made:

#### *1 Violation Act 86, Section 3(a)(1) [40 P.S. §3403(a)(1)]*

Requires that a nonrenewal notice be forwarded by registered mail or first class mail or delivered by the insurance company directly to the named insured or insureds. The Company did not provide any documentation to substantiate a notice was mailed, reason for nonrenewal or if the notice met format

requirements.

*1 Violation Act 86, Section 3(a)(2) [40 P.S. §3403(a)(2)]*

Requires that a nonrenewal notice be forwarded directly to the named insured or insureds at least 60 days in advance of the effective date of the termination. The Company did not provide at least 60 days notice of nonrenewal.

#### 4. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to measure compliance with Act 86, Section 1 (40 P.S. §3401), which requires 30 days advance notice of an increase in renewal premium.

From the universe of 503 commercial automobile policies renewed during the experience period, 25 files were selected for review. All 25 files were received and reviewed. No violations were noted.

## **F. Workers' Compensation**

### 1. 60-Day Cancellations

A 60-day cancellation is considered to be any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 86, Section 7 (40 P.S. §3407), which requires an insurer, who cancels a policy that is in effect less than 60 days, to provide 30 days notice of termination no later than the 60<sup>th</sup> day unless the policy provides for a longer

period of notification.

The universe of 6 workers' compensation policies cancelled within the first 60 days of new business was selected for review. All 6 files were received and reviewed. No violations were noted.

## 2. Midterm Cancellations

A midterm cancellation is any policy termination that occurs at any time other than the twelve-month anniversary date.

The purpose of the review was to determine compliance with Insurance Company Law, Section 653 (40 P.S. §813), which prohibits midterm cancellation with exceptions for nonpayment of premium or by request of the insured.

From the universe of 70 workers' compensation policies identified as midterm cancellations by the Company, 25 files were selected for review. All 25 files were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 12%.

The following findings were made:

### *3 Violations Act 86, Section 4(b) [40 P.S. §3404(b)]*

Requires that unearned premium be returned to the insured not later than 30 days after the effective date of termination where commercial property or casualty risks are cancelled in mid-term by the insured.

*AND*

*Act 86, Section 4(c) [40 P.S. §3404(c)]*

Where the amount of return premium to be returned cannot be calculated precisely within the required time period for return premium because: The policy was written on the basis of an estimated premium or the policy was issued subject to a premium audit, unearned premium shall be returned to the insured on an estimated basis. Upon the insurer's completion of computation of the exam premium to be returned, an additional return premium or charge shall be made to the named insured within 15 days of the final computation. The Company failed to return estimated return premium within 30 days and/or the exact premium within 15 days of final computation for the 3 files noted.

3. Nonrenewals

A nonrenewal is considered to be any policy, which was not renewed, for a specific reason, at the normal twelve-month anniversary date.

The review was conducted to determine compliance with Act 86, Section 3 (40 P.S. §3403), which establishes notice requirements for nonrenewals.

The universe of 12 workers' compensation policies nonrenewed during the experience period was selected for review. All 12 files were received and reviewed. The violation resulted in an error ratio of 8%.

The following finding was made:

*1 Violation Act 86, Section 3(a)(5) [40 P.S. §3403(a)(5)]*

Requires that a nonrenewal notice shall state the specific

reasons for the nonrenewal. The reasons shall identify the condition, factor or loss experience, which caused the nonrenewal. The notice shall provide sufficient information or data for the insured to correct the deficiency. The Company did not provide a specific reason for nonrenewal for the file noted.

#### 4. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to measure compliance with Act 86, Section 1 (40 P.S. §3401), which requires 30 days advance notice of an increase in renewal premium.

From the universe of 837 workers' compensation policies renewed during the experience period, 25 files were selected for review. All 25 files were received and reviewed. No violations were noted.

### **G. Commercial Declinations**

#### 1. Declinations

A declination is any application that is received and the Company declines to write the coverage.

The primary purpose of the review was to determine compliance with Act 205, Section 5 [40 P.S. §1171.5], which defined unfair methods of competition and unfair or deceptive acts or practices.

From the universe of 1,048 commercial applications declined by the Travelers Group during the experience period, 75 files were selected for review. The files consisted of all types of commercial lines. All 75 files were received and reviewed. No violations were noted.

The following concerns were made:

**CONCERN:** The examiners identified two files where the Company declined to quote because it was a mono-line Workers Compensation account. Requiring supporting business is not acceptable and the Company must ensure this practice will not occur in the future.

**CONCERN:** The Company provided declination files but 4 files did not have a declination reason included with the file. The Company must maintain all files so that compliance can be determined.

## VI. RATING

### **A. Private Passenger Automobile**

#### 1. New Business

New business, for the purpose of this examination, is defined as policies written for the first time by the Company during the experience period.

The primary purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) [40 P.S. §1184], which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at that time. Files were also reviewed to determine compliance with all provisions of Act 6 of 1990 and Act 68, Section 2005(c) [40 P.S. §991.2005(c)], which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance or as a result of any other factors.

The Company processes and issues personal automobile policies using an automated system. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

The Company did not issue any new business during the experience period.

## 2. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time. Files were also reviewed to determine compliance with Act 68, Section 2005(c) (40 P.S. §991.2005(c)), which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance, or as a result of any other factors.

The Company processes and issues personal automobile policies using an automated system. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

### Private Passenger Automobile – Renewals Without Surcharges

From the universe of 396 private passenger automobile policies renewed without surcharges during the experience period, 75 files were selected for review. All 75 files were received and reviewed. No violations were noted.

### Private Passenger Automobile – Renewals With Surcharges

The universe of 3 private passenger automobile policies renewed with surcharges during the experience period was selected for review. All 3 files were received and reviewed. No violations were noted.

## **B. Private Passenger Automobile – Assigned Risk**

Travelers reports its premium writings for private passenger automobile to the Pennsylvania Assigned Risk Plan for its companies under Travelers Indemnity Company. As a result, Travelers Indemnity Company of America does not receive any assignments from the Pennsylvania Assigned Risk Plan.

## **C. Homeowners**

### 1. New Business

New business, for the purpose of this examination, was defined as policies written for the first time by the Company during the experience period.

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in

effect at the time.

The Company did not write any new business during the experience period.

## 2. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to determine compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates which are in effect at the time.

### Homeowner Rating – Renewals Without Surcharges

From the universe of 11,195 homeowner policies renewed without surcharges during the experience period, 75 files were selected for review. All 75 files were received and reviewed. No violations were noted.

### Homeowner Rating – Renewals With Surcharges

From the universe of 129 homeowner policies renewed with surcharges during the experience period, 25 files were selected for review. All 25 files were received and reviewed. No violations were noted.

## **D. Tenant Homeowners**

### **1. New Business**

New business, for the purpose of this examination, was defined as policies written for the first time by the Company during the experience period.

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

The Company did not write any new business during the experience period.

### **2. Renewals**

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to determine compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates which are in effect at the time.

Tenant Homeowner Rating – Renewals Without Surcharges

From the universe of 1,476 tenant homeowner policies renewed without surcharges during the experience period, 50 files were selected for review. All 50 files were received and reviewed. The violation resulted in an error ratio of 2%.

The following finding was made:

*1 Violation Act 246, The Casualty and Surety Rate Regulatory Act,  
Section 4 (40 P.S. §1184)*

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. The Company rated the policy with an incorrect territory which resulted in an overcharge of \$40.

The following concern was made:

**CONCERN:** The Company had received approved filed changes in its rate filing in 2005 involving territory changes. The Company did not update the rate manual to reflect the approved changes. The Company should update the rate manual with the correct and approved changes.

### Tenant Homeowner Rating – Renewals With Surcharges

The universe of 6 tenant homeowner policies renewed with surcharges during the experience period was selected for review. All 6 files were received and reviewed. No violations were noted.

## **E. Condominium**

### 1. New Business

New business, for the purpose of this examination, was defined as policies written for the first time by the Company during the experience period.

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

The Company did not write any new business during the experience period.

### 2. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to determine compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in the Commonwealth. Also, no insurer shall make or issue

a contract or policy except in accordance with filings or rates which are in effect at the time.

#### Condominium Rating – Renewals Without Surcharges

From the universe of 457 condominium policies renewed without surcharges during the experience period, 50 files were selected for review. All 50 files were received and reviewed. No violations were noted.

#### Condominium Rating – Renewals With Surcharges

The universe of 4 condominium policies renewed with surcharges during the experience period was selected for review. All 4 files were received and reviewed. No violations were noted.

### **F. Dwelling Fire**

#### 1. New Business

New business, for the purpose of this examination, was defined as policies written for the first time by the Company during the experience period.

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

The universe of two dwelling fire policies written as new business during the experience period was selected for review. Both files were received and reviewed. No violations were noted.

## 2. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to determine compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates which are in effect at the time.

From the universe of 25 dwelling fire policies renewed during the experience period, 10 files were selected for review. All 10 files were received and reviewed. No violations were noted.

The following concern was made:

**CONCERN:** The Company identified credits and state surcharges on its declaration page. The credits and state surcharges were identified by a percentage amount. It is a concern that during the review of the policy files, it was noted on two occasions that a new home credit was listed; however the credit was neither applied or was eligible for the discount. The Company should make certain that the surcharge(s) listed on the declaration page are in fact applicable to the policy.

## VII. CLAIMS

The Company was requested to provide copies of all established written claim handling procedures utilized during the experience period. Written claim handling procedures were received and reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

The Claims review consisted of the following areas of review:

- A. Automobile Property Damage Claims
- B. Automobile Comprehensive Claims
- C. Automobile Collision Claims
- D. Automobile Total Loss Claims
- E. Automobile First Party Medical Claims
- F. Automobile First Party Medical Claims Referred to a PRO
- G. Homeowner Claims
- H. Tenant Homeowner Claims
- I. Dwelling Fire Claims

The primary purpose of the review was to determine compliance with Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices. The files were also reviewed to determine compliance with Act 205, Section 4 (40 P.S. §1171.4) and Section 5(a)(10)(vi) [40 P.S. §1171.5(a)(10)(vi)], Unfair Insurance Practices Act.

### **A. Automobile Property Damage Claims**

From the universe of 28 private passenger automobile property damage claims reported during the experience period, 10 files were selected for review. All 10 files were received and reviewed. The 2 violations noted

were based on 1 file, resulting in an error ratio of 10%.

The following findings were made:

*1 Violation Title 31, Pa. Code, Section 146.5(a)*

Every insurer, upon receiving notification of a claim, shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgment is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company did not acknowledge the claim within 10 working days.

*1 Violation Title 31, Pa. Code, Section 146.6*

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide a timely status letter for the claim noted.

## **B. Automobile Comprehensive Claims**

From the universe of 21 private passenger automobile comprehensive claims reported during the experience period, 10 files were selected for review. All 10 files were received and reviewed. No violations were noted.

## **C. Automobile Collision Claims**

From the universe of 46 private passenger automobile collision claims reported during the experience period, 20 files were selected for review. All 20 files were received and reviewed. No violations were noted.

## **D. Automobile Total Loss Claims**

The universe of 3 private passenger automobile total loss claims reported during the experience period was selected for review. All 3 files were received and reviewed. No violations were noted.

## **E. Automobile First Party Medical Claims**

The universe of 12 private passenger automobile first party medical claims reported during the experience period was selected for review. All 12 files were received and reviewed. No violations were noted.

## **F. Automobile First Party Medical Claims Referred to a PRO**

The universe of 3 automobile first party medical claims referred to a peer review organization by the Company was selected for review. All 3 files were received and reviewed. The Company was also asked to provide a copy of all peer review contracts in place during the experience period. The contracts were received and reviewed. No violations were noted.

## **G. Homeowner Claims**

From the universe of 1,354 homeowner claims reported during the experience period, 50 files were selected for review. All 50 files were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 6%.

The following findings were made:

### *3 Violations Title 31, Pa. Code, Section 146.6*

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the 3 claims noted.

## **H. Tenant Homeowner Claims**

From the universe of 34 tenant homeowner claims reported during the experience period, 10 files were selected for review. All 10 files were received and reviewed. No violations were noted.

## **I. Dwelling Fire Claims**

From the universe of 52 dwelling fire claims reported during the experience period, 10 files were selected for review. All 10 files were received and reviewed. The violation resulted in an error ratio of 10%.

The following finding was made:

*1 Violation Title 31, Pa. Code, Section 146.6*

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide a timely status letter for the claim noted.

## VIII. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with Insurance Company Law, Section 354 (40 P.S. §477b), Approval of Policies, Contracts, etc., Prohibiting the Use Thereof Unless Approved. During the experience period of the examination, Section 354 provided that it shall be unlawful for any insurance company to issue, sell, or dispose of any policy contract or certificate covering fire, marine, title and all forms of casualty insurance or use applications, riders, or endorsements in connection therewith, until the forms have been submitted to and formally approved by the Insurance Commissioner. All underwriting and claim files were also reviewed to verify compliance with Act 165 of 1994 [18 Pa. CS §4117(k)(1)] and Title 75, Pa. C.S. §1822, which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage.

The following findings were made:

### *3 Violations Title 75, Pa. C.S. §1822*

Warning notice on application for insurance and claim forms. Not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a statement that clearly states in substance the following: "Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000."

*AND*

*Act 165 of 1994 [18 Pa. C.S. §4117(k)(1)]*

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties. The Company failed to provide the required Pennsylvania fraud notice on a full and final release claim form, a written statement claim form and a power of attorney claim form.

The following concern was made:

**CONCERN:** The Company maintains a State Termination Guide-Pennsylvania Auto for form and mailing requirements. There are edition dates of March 21, 2008 and August 28, 2009. In both guides, under Summary of Additional State Guidelines – “Does the state have any required language that must be included on notices?, the first bullet item states the cancellation or nonrenewal notice shall advise the insured of his/her right to request a review of our action within 10 days of the receipt of the reasons.” The statement should be changed to read within 30 days of the receipt of the reason.

## IX. ADVERTISING

The Company was requested to provide copies of all advertising, sales material and internet advertisements in use during the experience period.

The purpose of this review was to determine compliance with Act 205, Section 5 [40 P.S. §1171.5], which defines unfair methods of competition and unfair or deceptive acts or practices in the business of insurance, as well as Title 31, Pennsylvania Code, Section 51.2(c) and Section 51.61.

The Company provided 88 pieces of advertising which included brochures, magazine and newspaper ads and agent kits. Internet advertising was also reviewed. No violations were noted.

## X. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the preceding four years. The Company identified 12 consumer complaints received during the experience period and provided all consumer complaint logs requested. The 12 complaint files reported were requested, received and reviewed. One of the 12 files was not a policy written by The Travelers Indemnity Company of America.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5(a)(11) of the Act requires a Company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint.

The following findings were made:

*1 Violation Act 205, Section 5(a)(9)(iv) [40 P.S. §1171.5(a)(9)(iv)]*

Requires that a cancellation notice shall advise the insured of his right to request, in writing, within ten days of the receipt of the notice of cancellation or intention not to renew that the Insurance Commissioner review the action of the insurer. The Company failed to advise the insured of their right to request by the Commissioner within 10 days of receipt of notice. The file provided advised the insured of their right of review within 30 days of receipt of notice.

*1 Violation Title 31, Pa. Code, Section 146.6*

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the claim noted.

*1 Violation Act 205, Section 5(a)(10)(vi) [40 P.S. §1171.5(a)(10)(vi)]*

Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices: Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which the company's liability under the policy has become reasonably clear. The Company failed to effectuate prompt, fair and equitable settlement of the claim.

*1 Violation Insurance Company Law, Section 506.1 [40 P.S. §636.1]*

Requires that basic property insurance shall be continued one hundred and eighty days after the death of the named insured on the policy or until the sale of the property, whichever event occurs first provided that the premiums for the coverage are paid. The Company cancelled the policy within 180 days of the death of the named insured.

The following synopsis reflects the nature of the 11 complaints that were reviewed.

•	5	Cancellation/Nonrenewal	46%
•	4	Claim Handling	36%
•	2	Premium	18%
	<hr/>		<hr/>
	11		100%

## XI. LICENSING

In order to determine compliance by the Company and its agency force with the licensing requirements applicable to Section 641.1(a) [40 P.S. §310.41(a) and Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, the Company was requested to furnish a list of all active producers during the experience period and a listing of all producers terminated during the experience period. Underwriting files were checked to verify proper licensing and appointment.

The following findings were made:

*2 Violations Insurance Department Act, No. 147, Section 641.1A  
[40 P.S. §310.41a]*

(a) Any insurance entity or licensee accepting applications or orders for insurance from any person or securing any insurance business that was sold, solicited or negotiated by any person acting without an insurance producer license shall be subject to civil penalty of no more than \$5,000.00 per violation in accordance with this act. This section shall not prohibit an insurer from accepting an insurance application directly from a consumer or prohibit the payment or receipt of referral fees in accordance with this act.

The following producers were found to be writing and /or soliciting policies but were not found in Insurance Department records as holding a Pennsylvania producer license.

Automobile Club Insurance Agency, Inc.  
Independent Equine Agents

*7 Violations Insurance Department Act, No. 147, Section 671-A (40 P.S. §310.71)*

- (a) Representative of the insurer – An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.
- (b) Representative of the consumer – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:
  - (1) Delineates the services to be provided; and
  - (2) Provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.
- (c) Notification to Department – An insurer that appoints an insurance producer shall file with the Department a notice of appointment. The notice shall state for which companies within the insurer’s holding company system or group the appointment is made.
- (d) Termination of appointment – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer’s license is suspended, revoked or otherwise terminated.
- (e) Appointment fee – An appointment fee of \$12.50 will be billed annually to the insurer for each producer appointed by the insurer during the preceding calendar year regardless of the length of time the producer held the appointment with the insurer. The appointment fee may be modified by regulation.
- (f) Reporting – An insurer shall, upon request, certify to the

Department the names of all licensees appointed by the insurer.

The following producers were found to be writing policies but were not found in Insurance Department records as having an appointment.

The Company failed to file a notice of appointment and submit appointment fees to the Department.

Agri Ins. Mgmt Svcs.  
Allen Financial Insurance Group  
B C Szerlip Ins. Agency  
Brian Oneill & Assoc.  
Charity First AJG Co.  
Heflin Insurance Agency  
J S Braddock Agency

## X. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other statutory or regulatory violations, noted in the Report.

1. The Company must review Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)] to ensure that violations regarding the requirements for cancellation and nonrenewal notices, as noted in the Report, do not occur in the future.
2. The Company must review Insurance Company Law, Section 506.1 regarding the cancellation of property insurance after the death of the named insured to ensure that basic property coverage is maintained at least 180 days.
3. The Company must review Act 86, Section 1 [40 P.S. §3401], to ensure that violations regarding notification to the insured of an increase in premium do not occur in the future.
4. The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation and nonrenewal requirements of Act 86, Sections 3, 4 and 7 [40 P.S. §§3403, 3404 and 3407], so that the violations noted in the Report do not occur in the future.
5. The Company must review Act 246, Section 4(a) and (h) [40 P.S. §1184] and take appropriate measures to ensure the rating violation listed in the report does not occur in the future.

6. The premium overcharge noted in the rating section of this report must be refunded to the insured and proof of such refund must be provided to the Insurance Department within 30 days of the report issue date.
7. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to providing acknowledgements and status letters, as noted in the Report, do not occur in the future.
8. The Company must review Act 205, Section 5(a)(10)(vi) [40 P.S. §1171.5(a)(10)(vi)] with its claim staff to ensure that the violation noted in the Report does not occur in the future.
9. The Company must ensure that all claim forms contain the required fraud warning notice.
10. The Company must review Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)] to ensure that the violations relative to supporting coverage noted in the Report do not occur in the future.
11. The Company must ensure all producers are properly licensed and appointed, as required by Section 641.1(a) and Section 671-A [40 P.S. §310.41(a) and 40 P.S. §310.71] of the Insurance Department Act No. 147, prior to accepting any business from any producer.

**X. COMPANY RESPONSE**



Libby Magnus  
[LMAGNUS@TRAVELERS.COM](mailto:LMAGNUS@TRAVELERS.COM)  
Corporate Compliance & Market Conduct  
385 Washington St, NB15C  
St. Paul, MN 55102

October 27, 2011

**Via Email ([carnold@pa.gov](mailto:carnold@pa.gov)) and regular mail**

Constance Arnold  
Pennsylvania Insurance Department  
Bureau of Market Actions  
Property and Casualty Market Conduct Division  
1227 Strawberry Square, Harrisburg, PA 17120

RE: Company response to final report -The Travelers Indemnity Company of America

Dear Ms. Arnold:

Thank you for allowing us the opportunity to respond to the final reports of The Travelers Indemnity Company of America. Please find enclosed our response for your review and consideration.

We appreciate the professionalism and courteous approach afforded by you and the entire exam team throughout the review.

If you have any questions or concerns, please feel free to contact me directly.

Sincerely,

A handwritten signature in cursive script that reads "Libby Magnus".

Libby Magnus, MCM  
Director, Corporate Compliance &  
Market Conduct  
(651)310-2117

## X. RECOMMENDATIONS

1. The Company must review Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)] to ensure that violations regarding the requirements for cancellation and nonrenewal notices, as noted in the Report, do not occur in the future.

*Company Response: The Company accepts this recommendation. In regard to non-renewals, the company will reinforce with staff both that valid non-renewal reasons must be based on existing underwriting guidelines and Pennsylvania regulations, and the importance of following existing procedures to ensure proper notification is sent. Additionally, prior to the start of this exam, a revision to form PL-2342 was filed, approved and implemented on 7/16/10 to reflect the 10 day right of review requirement.*

*In regard to cancellations, the Company will reinforce existing procedures with staff pertaining to retaining proof of or documenting insured request cancellations. In response to a Market Conduct Exam of an affiliated company, the company implemented the use of form SC-21806, which notifies the insured of the right of review and access to the Fair Plan. The form was filed, approved and implemented on 12/15/2009, prior to the start of this exam.*

2. The company must review Insurance Company Law, Section 506.1 regarding the cancellation of property insurance after the death of the named insured to ensure that basic property coverage is maintained at least 180 days.

*Company Response: The Company accepts this recommendation. The Company will reinforce with staff the importance of following existing procedures to ensure we are in compliance with Section 506.1*

3. The company must review Act 86, Section 1 [40 P.S. §3401], to ensure that violations regarding notification to the insured of an increase in premium do not occur in the future.

*Company Response: The Company accepts this recommendation and will review current procedures to ensure compliance with Act 86. We have already reviewed our internal procedures and have sent various reminders to the field regarding state requirements on premium increase notices. Random audits of renewal notices have been and will continue to be conducted throughout the year to monitor company adherence to Pennsylvania statutory requirements.*

4. The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation and nonrenewal requirements of Act 86, Sections 3, 4 and 7 [40 P.S. §3403, 3404 and 3407], so that the violations noted in the Report do not occur in the future.

*Company Response: In regard to personal lines tenant occupied dwelling fire policies, the Company accepts this recommendation. The company will revise cancellation procedures to provide the required offer of loss information and will return unearned premium to the insured within 30 days. The company will also revise our non-renewal procedure to provide the required 60 days notification of non-renewal. The company will revise non-renewal and cancellation notices to include the required offer of loss information.*

*In regard to commercial lines policies, the Company agrees with the Department's findings relative to Act 86, Sections 3 and 4 specific to policyholder notice and the return of estimated premium. One item of note, Travelers had previously instituted procedures regarding the issuance of refunds upon cancellation. In addition, a bulletin was released throughout the organization reiterating the need to process insured request cancellations in a timely fashion. The release of the new procedures and bulletin coincided with the start of this 2010 exam. As a result, policies included in this exam sample were cancelled under the old procedures. We expect fewer errors in the refund process going forward and will continue to monitor for any trends or training opportunities.*

*Specific to Act 86, Section 7 {40 P.S. §3407}, after further review of this issue the Company continues to respectfully disagree with the summary findings. The violations referenced improper notice of cancellation for non-payment of premium. Pennsylvania Statute PA § 40 Section 3407 states that it does not apply to policies that are in effect less than 60 days unless they are renewals. Pennsylvania Statute PA § 40 Section 3403 indicates if an insured failed to pay a premium when due the notice of cancellation shall be forwarded directly to the named insured at least 15 days in advance of the effective date of termination. As such, the Company feels Section 3403 applies to cancellation for nonpayment of premium from either a new or renewal insured. In addition, it does not seem reasonable that an insurer is subject to the same notice period for cancellation for nonpayment of premium and for cancellation for any other reason. It seems more valid to interpret the statutes in such a way that the notice period for cancellation for non payment is a lesser notice period and should be the same amount of time regardless of new or renewal status.*

*Given the foregoing, the position of the Company is that Section 3403 applies to cancellation for nonpayment of premium from either a new or renewal insured. And, since all of the notices met the 15 day notice standard in Section 3403, it is the position of the Company that we are in compliance with Pennsylvania law with respect to this issue.*

*Given our differing positions on this issue, it is clear that the statutory references are vague and open to different interpretations. As such, the Company respectfully submits that our position on how the statutes apply to this issue is a reasonable one and that these criticisms should not be fineable offenses.*

5. The Company must review Act 246, Section 4(a) and (h) [40 P.S. 1184] and take appropriate measures to ensure the rating violation listed in the report does not occur in the future.

*Company Response: The Company accepts this recommendation. The rating error occurred as a result of human error and was an isolated incident. The company will reinforce with staff existing practices and procedures.*

6. The premium overcharge noted in the rating section of this report must be refunded to the insured and proof of such refund must be provided to the Insurance Department within 30 days of the report issue date.

*Company Response: The Company accepts this recommendation and would like it noted that the premium has been refunded from the policy term that the rating error occurred.*

7. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to providing claim forms, status letters and denials, as noted in the Report, do not occur in the future.

*Company Response: The Company accepts this recommendation. Although Travelers believes these findings were isolated instances, the Company will review and revise internal control procedures to ensure compliance with the claims handling requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to providing claim forms, status letters and denials, as noted in the Report, do not occur in the future.*

8. The Company must review Act 205, Section 5(a)(10)(vi) [40 P.S. §1171.5(a)(10)(vi)] with its claim staff to ensure that the violation noted in the Report does not occur in the future.

*Company Response: The Company accepts this recommendation. Although Travelers believes these findings were isolated instances, the Company will review Act 205 with its claim staff to ensure that the violation noted in the Report does not occur in the future.*

9. The Company must ensure that all claim forms contain the required fraud warning notice.

*Company Response: The Company accepts this recommendation. Although Travelers believes these findings were isolated instances, the Company will review Title 75, PA. C.S. 1822 – and Act 165 of 1994 [18 Pa. C.S. §4117ek (1)] to ensure claim forms shall contain a statement that clearly states in substance the following: “Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000.” Any person who knowingly and with Intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.*

10. The Company must review Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)] to ensure that the violations relative to supporting coverage noted in the Report do not occur in the future.

*Company Response: The Company accepts this recommendation and has revised our Homesaver and Personal Articles Floater guidelines to remove any requirements relative to supporting coverage.*

11. The Company must ensure all producers are properly licensed and appointed, as required by Section 641.1(a) and Section 671-A [40 P.S. §310.41(a) and 40 P.S. §310.71] of the Insurance Department Act No. 147, prior to accepting any business from any producer.

*Company Response: The Company accepts this recommendation. We acknowledge the comments regarding Pennsylvania requirements and will evaluate the circumstances regarding these isolated incidents. The licensing process has begun for those producers needing a license. Appointments have been completed or are still in process if the license is being pursued.*

*One producer, Automobile Club Insurance Agency, Inc. will not be licensed because it was determined that they no longer write business in Pennsylvania. The policy is no longer written with Travelers. Travelers will reinforce with the agent the requirement of being licensed in states where business is being written.*