

**REPORT OF  
MARKET CONDUCT EXAMINATION  
OF**

**HARTFORD INSURANCE COMPANY  
OF THE SOUTHEAST**

Hartford, Connecticut

**AS OF  
July 8, 2008**

**COMMONWEALTH OF PENNSYLVANIA**

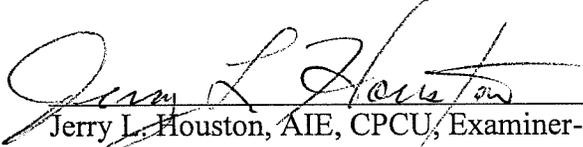


**INSURANCE DEPARTMENT  
MARKET CONDUCT DIVISION**

**Issued: September 4, 2008**

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).

  
Jerry L. Houston, AIE, CPCU, Examiner-In-Charge

Sworn to and Subscribed Before me

This 30 Day of June, 2008

  
Notary Public

COMMONWEALTH OF PENNSYLVANIA  
NOTARIAL SEAL  
THERESA M. SENECA, Notary Public  
City of Harrisburg, Dauphin County  
My Commission Expires Aug. 15, 2010

**HARTFORD INSURANCE COMPANY OF THE SOUTHEAST**

**TABLE OF CONTENTS**

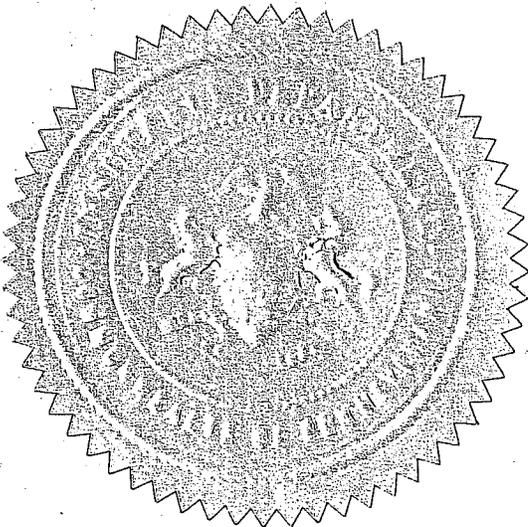
Order

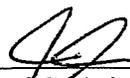
I.	Introduction.....	1
II.	Scope of Examination.....	3
III.	Company History/Licensing.....	4
IV.	Underwriting Practices and Procedures.....	5
V.	Underwriting	
	A. Private Passenger Automobile.....	6
	B. Property.....	9
VI.	Complaints.....	11
VII.	Licensing.....	13
VIII.	Recommendations.....	15
IX.	Company Response.....	16

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 22<sup>ND</sup> day of July, 2008, 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.



  
\_\_\_\_\_  
Joel S. Ario  
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
HARTFORD INSURANCE	:	Section 671-A of Act 147 of 2002
COMPANY OF THE SOUTHEAST	:	(40 P.S. § 310.71)
Hartford Plaza	:	
Hartford, CT 06155	:	Sections 2003(a)(1), 2004 and 2008(b)
	:	of Act 68 of 1998 (40 P.S. §§991.2003,
	:	991.2004 and 991.2008)
	:	
	:	Section 5(a)(9) of the Unfair
	:	Insurance Practices Act, Act of July
	:	22, 1974, P.L. 589, No. 205 (40 P.S.
	:	§ 1171.5)
	:	
Respondent.	:	Docket No. MC08-07-028

CONSENT ORDER

AND NOW, this 4<sup>th</sup> day of *September*, 2008, 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.

#### FINDINGS OF FACT

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

- (a) Respondent is Hartford Insurance Company of the Southeast, and maintains its address at Hartford Plaza, Hartford, Connecticut 06155.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from July 1, 2006 through June 30, 2007.
- (c) On July 8, 2008, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on August 7, 2008.
- (e) The Examination Report notes violations of the following:

- (i) Section 671-A of Act 147 of 2002 (40 P.S. § 310.71), which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;
- (ii) Section 2003(a)(1) of Act 68 (40 P.S. § 991.2003), which prohibits an insurer from cancelling or refusing to write or renew a policy of automobile insurance due to age;
- (iii) Section 2004 of Act 68 of 1998 (40 P.S. § 991.2004), which requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer;
- (iv) Section 2008(b) of Act 68 of 1998 (40 P.S. § 991.2008), which requires any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may

request in writing to the Commissioner that he review the action of the insurer in refusing to write a policy for the applicant;

- (v) 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;

#### CONCLUSIONS OF LAW

4. 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 Section 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 2003, 2004 and 2008 of Act 68 of 1998 are punishable by the following, under Section 2013 of the Act (40 P.S. § 991.2013): Any individual or insurer who violates any of the provisions of this article may be sentenced to pay a fine not to exceed five thousand dollars (\$5,000.00).
- (d) Respondent's violations of Section 5(a)(9) 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 Commissioner for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Commissioner 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).

#### ORDER

5. 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 Ginny Baker, Administrative Assistant, Bureau of Market Conduct, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

6. 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 the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that 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.

8. 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.

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

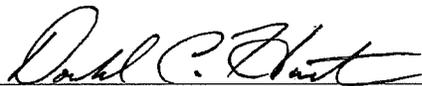
10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. 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: HARTFORD INSURANCE COMPANY  
OF THE SOUTHEAST, Respondent

  
\_\_\_\_\_  
President / Vice President

  
\_\_\_\_\_  
Secretary / Treasurer

  
\_\_\_\_\_  
RONALD A. GALLAGHER  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania

## I. INTRODUCTION

The market conduct examination was conducted at Hartford Insurance Company of the Southeast's offices located in Southington, Connecticut and Hartford, Connecticut, from April 21, 2008, through May 9, 2008. 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.

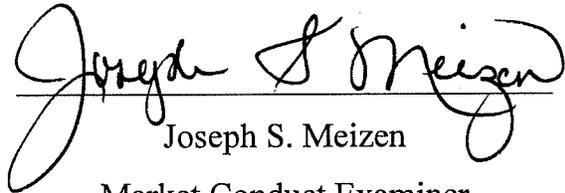
The undersigned participated in this examination and in preparation of this Report.



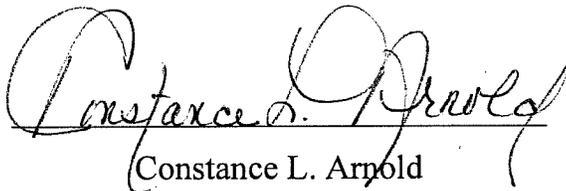
Chester A. Derk, Jr., AIE, HIA  
Market Conduct Division Chief



Jerry L. Houston, AIE, CPCU  
Market Conduct Examiner



Joseph S. Meizen  
Market Conduct Examiner



Constance L. Arnold  
Market Conduct Examiner

## II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Hartford Insurance Company of the Southeast, hereinafter referred to as “Company,” at their offices located in Southington, Connecticut 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, 2006, through June 30, 2007, 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 60-day cancellations, midterm cancellations and declinations.
  
2. Property
  - Underwriting – Appropriate and timely notices of nonrenewal and midterm cancellations.
  
3. Complaints
  
4. Licensing

### **III. COMPANY HISTORY AND LICENSING**

Hartford Insurance Company of the Southeast was incorporated on December 28, 1979, under the laws of Florida. It began business on January 1, 1980. The Company was redomiciled to Connecticut, effective December 7, 2005.

#### **LICENSING**

Hartford Insurance Company of the Southeast's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2008. The Company is licensed in Connecticut, Florida, Georgia, Louisiana and Pennsylvania. It also operates on a surplus lines or non-admitted basis in Kansas and Michigan. The Company's 2007 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$23,790,842. Premium volume related to the areas of this review were: Homeowners Multiple Peril \$1,968,029; Passenger Automobile Direct Written Premium was reported as Private Passenger Auto No-Fault (personal injury protection) \$2,976,621; Other Private Passenger Auto Liability \$11,053,199 and Private Passenger Auto Physical Damage \$7,648,551.

#### 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. Underwriting guides were furnished for private passenger automobile, homeowners 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 finding was made:

*1 Violation Act 68, Section 2003(a)(1) [40 P.S. §991.2003(a)(1)]*

Discrimination Prohibited – (a) An insurer may not cancel or refuse to write or renew a policy of automobile insurance for any of the following reasons: Age. The Company's AARP auto new business underwriting guideline uses driving experience to determine eligibility.

## V. UNDERWRITING

### **A. Private Passenger 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 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited. These files were also reviewed for compliance with Act 68, Section 2002(b)(3) [40 P.S. §991.2002(b)(3)], which requires an insurer who cancels a policy of automobile insurance in the first 60 days, to supply the insured with a written statement of the reason for cancellation.

From the universe of 1,122 private passenger automobile files identified as being cancelled in the first 60 days of new business, 9 files were selected for review. All 9 files were received and reviewed. The 2 violations noted were based on 2 files, resulting in an error ratio of 22%.

The following findings were made:

*2 Violations Act 68, Section 2003(a)(1) [40 P.S. §991.2003(a)(1)]*

Discrimination Prohibited – (a) An insurer may not cancel or refuse to write or renew a policy of automobile insurance for any of the following reasons: Age. The Company terminated the 2 files noted based upon age.

## 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 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 288 private passenger automobile files identified as midterm cancellations by the Company, 4 files were selected for review. All 4 files were received and reviewed. The 2 violations noted were based on 2 files, resulting in an error ratio of 50%.

The following findings were made:

### *2 Violations Act 68, Section 2004 [40 P.S. §991.2004]*

Requires that no insurer shall cancel a policy of automobile insurance except for nonpayment of premium, suspension or revocation of the named insured's driver license or motor vehicle registration or a determination that the insured has concealed a material fact or has made a material allegation contrary to fact or has made a misrepresentation of material fact and that such concealment, allegation or misrepresentation was material to the acceptance of the risk by the insurer. The 2 files noted were cancelled for other than permitted reasons. The reasons for cancellation were: "Total loss, not replaced-no insurable interest" and "Vehicle

registered in a business name”.

### 3. Declinations

A declination is any application that is received by the Company and was declined to be written.

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.

From the universe of 4,399 private passenger automobile applications declined by the Company, 25 files were selected for review. All 25 files were received and reviewed. The 7 violations noted were based on 7 files, resulting in an error ratio of 28%.

The following findings were made:

#### *1 Violation Act 68, Section 2008(b) [40 P.S. §991.2008(b)]*

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The Company did not provide a specific reason for the declination.

*6 Violations Act 68, Section 2003(a)(1) [40 P.S. §991.2003(a)(1)]*

An insurer may not cancel or refuse to write or renew a policy of automobile insurance due to age. The Company cannot use driving experience which constitutes a per se unlawful criteria based upon age.

**B. Property**

1. 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 252 property policies which were cancelled midterm during the experience period, 30 files were selected for review. The property policies consisted of homeowners and tenant homeowners. All 30 files were received and reviewed. No violations were noted.

2. 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.

The universe of 4 homeowner policies which were nonrenewed during the experience period was selected for review. All 4 files were received and reviewed. The violation noted resulted in an error ratio of 25%.

The following finding was 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 due to an increase in hazard that was not substantiated.

## VI. 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 27 consumer complaints received during the experience period and provided all consumer complaint logs requested. All 27 complaints files were requested, received and reviewed.

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 finding was 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 for an increase in hazard that was not substantiated.

The following synopsis reflects the nature of the 27 complaints that were reviewed.

11	Cancellation/Nonrenewal	41%
2	Claims	7.5%
6	Customer Relations	22%
2	Rating	7.5%
6	Underwriting	22%
<hr/>		<hr/>
27		100%

## VII. 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:

*5 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.

Abraham & Petrini Insurance Agency, Inc.  
Dougherty & Conrad Insurance Services, Inc.  
Johnson, Kendall & Johnson, Inc.  
James L. Smith Insurance Agency, Inc.  
Joseph E. Smith, Jr.

### **VIII. 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 and revise internal control procedures to ensure compliance with cancellation notice requirements of Act 68, Sections 2003 and 2004 [40 P.S. §§991.2003 and 991.2004], so that the violations noted in the Report do not occur in the future.
2. The Company must review and revise internal procedures to ensure compliance with notice requirements of Act 68, Section 2008 [40 P.S. §991.2008], so that the violations regarding refusals to write as noted in the Report do not occur in the future.
3. 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 notices, as noted in the Report, do not occur in the future.
4. The Company must revise and reissue their underwriting guidelines for use in Pennsylvania to ensure that the guidelines do not exclude applicants from being eligible to obtain insurance for reasons established in Section 2003 of Act 68 [40 P.S. §991.2003].
5. The Company must ensure all producers are properly appointed, as required by Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, prior to accepting any business from any producer.

**IX. COMPANY RESPONSE**



August 6, 2008

Kathleen Querfeld  
Counsel  
Law Department

**Via Overnight Mail**

Chester A. Derk, Jr., AIE, HIA  
Market Conduct Division Chief  
Pennsylvania Insurance Department  
Bureau of Enforcement  
1321 Strawberry Square  
Harrisburg, PA 17120

Re.: Exam Warrant Number: 07-M19-061  
Hartford Insurance Company of the Southeast

Dear Mr. Derk:

Hartford Insurance Company of the Southeast (“Hartford Southeast”) has received your July 8, 2008 letter and Report of Examination (“Report”). We appreciate the opportunity to respond to the Examination.

This letter will serve as Hartford Southeast’s response to the Report and recommendations contained on page 15. Where appropriate, our response will address exceptions noted in the Report that fall outside specific department recommendations.

- 1. The Company must review and revise internal control procedures to ensure compliance with cancellation notice requirements of Act 68, Sections 2003 and 2004 [40 P.S. §§991.2003 and 991.2004], so that the violations noted in the Report do not occur in the future.**

The Company accepts the Department’s Recommendation and has reviewed existing procedures to ensure compliance with 40 P.S. §§ 991.2003 and 991.2004. The Company has reinforced the cancellation procedures to prevent use of “inexperienced operator” as a cancellation reason. The Company has also instituted a process to obtain the insured’s request to terminate the automobile policy where there is only one vehicle on the policy and the totaled vehicle has not been replaced.

One Hartford Plaza, HO-1-09  
Hartford, CT 06115  
Telephone 860-547-9605  
Facsimile 860-757-1347  
kathleen.querfeld@thehartford.com

- 2. The Company must review and revise internal procedures to ensure compliance with notice requirements of Act 68, Section 2008 [40 P.S. §991.2008], so that the violations regarding refusals to write as noted in the Report do not occur in the future.**

The Company accepts the Department's recommendation and has reviewed existing procedures to ensure compliance with 40 P.S. §991.2008. Company procedures continue to be in compliance with Pennsylvania law and underwriting staff has been reminded of the requirement to state the specific reason(s) on any declination notice.

- 3. 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 notices, as noted in the Report, do not occur in the future.**

The Company accepts the Department's recommendation and has reviewed existing procedures to ensure compliance with 40 P.S. §1171.5(a)(9). The Company has strengthened and reinforced the existing pre-renewal process to provide the insured with an opportunity to mitigate or repair any deficiencies in the property condition before a non-renewal notice is issued based upon an increase in hazard.

- 4. The Company must revise and reissue their underwriting guidelines for use in Pennsylvania to ensure that the guidelines do not exclude applicants from being eligible to obtain insurance for reasons established in Section 2003 of Act 68 [40 P.S. §991.2003].**

The Company has reviewed its current practices in connection with 40 P.S. §991.2003. Based upon the Company's review, the Company continues to disagree with the Department about the six alleged violations. The Company does not use driver age or years of driving experience as an underwriting criteria. The underwriting guidelines require that all operators in the household possess a valid driver's license – a learner's permit is not acceptable. The Company disagrees that this reason violates 40 P.S. §991.2003(a)(1) because the guideline is applied without regard to the age of any household member. Nevertheless, the Company has revised its underwriting guidelines to address the Department's position.

- 5. The Company must ensure all producers are properly appointed, as required by Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, prior to accepting any business from any producer.**

The Company accepts the Department's Recommendation for the three instances where Company files did not reflect an actual appointment. The Company has made all necessary corrections to our appointment records. The Company has

reviewed our internal procedures to ensure compliance with 40 P.S. §310.71. The Company has recently introduced a process improvement that calls for an annual review to ensure that all producers are properly appointed in the appropriate writing companies.

We appreciate the courtesy extended by your staff throughout the examination process. We trust you will find our response satisfactory and look forward to working with you to conclude this examination. Please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kathleen Querfeld".

Kathleen Querfeld