

**REPORT OF  
MARKET CONDUCT EXAMINATION  
OF**

**TRITON INSURANCE COMPANY**  
St. Louis, Missouri

**AS OF  
March 13, 2006**

**COMMONWEALTH OF PENNSYLVANIA**



**INSURANCE DEPARTMENT  
MARKET CONDUCT DIVISION**

**Issued: April 14, 2006**

# TRITON INSURANCE COMPANY

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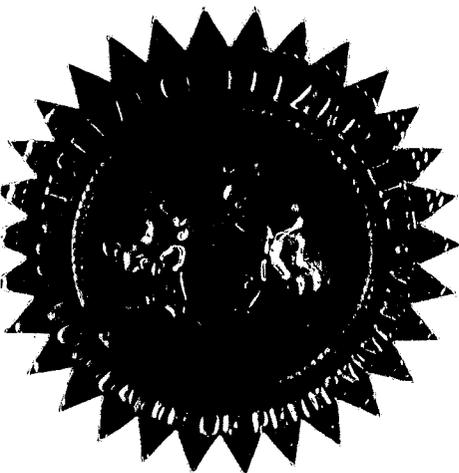
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BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 29 day of April, 2002, 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 Randolph L. Rohrbaugh, 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.



M. Diane Koken  
M. Diane Koken  
Insurance Commissioner

Triton Insurance Company

Docket No.  
MC06-04-022

Market Conduct Examination as of the  
close of business on March 13, 2006

**ORDER**

A market conduct examination of Triton Insurance Company was conducted in accordance with Article IX of the Insurance Department Act, 40 P.S. § 323.1, et seq., for the period January 1, 2004 through December 31, 2004. The Market Conduct Examination Report disclosed exceptions to acceptable company operations and practices. Based on the documentation and information submitted by Respondent, the Department is satisfied that Respondent has taken corrective measures pursuant to the recommendations of the Examination Report.

It is hereby ordered as follows:

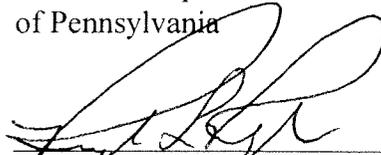
1. The attached Examination Report will be adopted and filed as an official record of this Department. All findings and conclusions resulting from the review of the Examination Report and related documents are contained in the attached Examination Report.
2. Respondent shall comply with Pennsylvania statutes and regulations.

3. Respondent shall comply with all recommendations contained in the attached Report.

4. 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.

The Department, pursuant to Section 905(e)(1) of the Insurance Department Act (40 P.S. § 323.5), will continue to hold the content of the Examination Report as private and confidential information for a period of thirty (30) days from the date of this Order.

BY: Insurance Department of the Commonwealth  
of Pennsylvania



Randolph L. Rohfbaugh  
Deputy Insurance Commissioner

DATE:



## **I. INTRODUCTION**

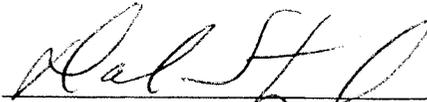
The Market Conduct Examination was conducted on Triton Insurance Company, hereafter referred to as "Company," at the Company's office located in Fort Worth, Texas, May 2, 2005, through July 1, 2005. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

Pennsylvania Market Conduct Examination Reports generally note only those items, to which the Department, after review, takes exception. 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. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. 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 these areas of concern in order to determine the potential impact upon Company operations or future compliance.

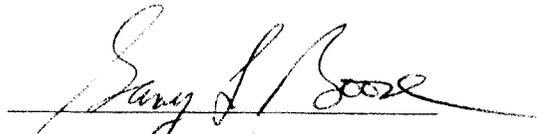
Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials 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 acknowledged.

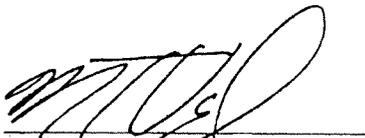
The undersigned participated in the Examination and in the preparation of this Report.



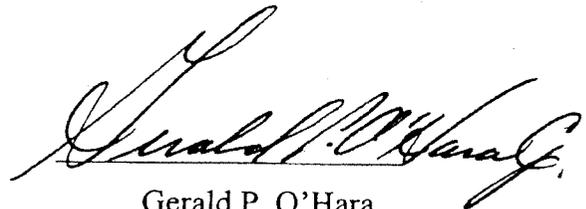
Daniel Stemcosky, AIF, FLMI  
Market Conduct Division Chief



Gary L. Boose, LUTC  
Market Conduct Lead Examiner



Michael T. Vogel  
Market Conduct Examiner



Gerald P. O'Hara  
Market Conduct Examiner

## 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).

  
\_\_\_\_\_  
Gary L. Boose, Examiner in Charge

Sworn to and Subscribed Before me

This *9* Day of *March*, 200*6*



Notary Public  
COMMONWEALTH OF PENNSYLVANIA  
NOTARIAL SEAL  
THERESA M. SENECA, Notary Public  
City of Harrisburg, Dauphin County  
My Commission Expires Aug. 15, 2008

## II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of January 1, 2004, through December 31, 2004, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Pennsylvania insurance laws and regulations.

The examination focused on the Company's operation in areas such as: Advertising, Consumer Complaints, Forms, Producer Licensing, Underwriting Practices and Procedures, and Claim Handling Practices and Procedures.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

During the course of the examination, for control purposes, some of the review segments identified in this Report may have been broken down into various sub-categories by line of insurance or Company administration. These specific sub-categories, if not reflected individually in the Report, would be included and grouped within the respective general categories of the Examination Report.

### III. COMPANY HISTORY AND LICENSING

Triton Insurance Company was originally incorporated under the laws of the State of Florida on March 25, 1982, as Voyager Guaranty Insurance Company and commenced business on July 6, 1982. In September of 1991, the Company moved its administrative office from Jacksonville, Florida to Fort Worth, Texas. On January 1, 1993, the Company redomesticated from the State of Florida to the State of Missouri and began operating as a stock casualty insurance company under the laws of the Revised Statutes of Missouri (RSMo), Chapter 379, (Insurance Other Than Life). On January 16, 1995, the name of the Company was changed to Triton Insurance Company.

Triton Insurance Company is currently owned by CitiFinancial Credit Company, which in turn, is an indirect wholly-owned subsidiary of Citigroup Inc. (formerly known as Travelers Group, Inc.)

Triton Insurance Company primarily underwrites credit involuntary unemployment insurance, collateral protection and supplemental involuntary unemployment insurance marketed through various Citigroup lending affiliates.

As of the 2004 annual statement for Pennsylvania, Triton Insurance Company reported direct premium for VSI – Collateral Protection and Involuntary Unemployment in the amount of \$7,709,753; and direct premium for Inland Marine Insurance in the amount of (\$2,810,076).

#### **IV. ADVERTISING**

Title 31, Pennsylvania Code, Section 51.2(c) provides that “Any advertisements, whether or not actually filed or required to be filed with the Department under the provisions of this Regulation may be reviewed at any time at the discretion of the Department.” The Department, in exercising its discretionary authority for reviewing advertising, requested the Company to provide copies of all advertising materials used for solicitation and sales during the experience period.

The Company was requested to provide a list of all advertising and marketing material used during the experience period. The Company provided a list of 2 pieces of advertising utilized in the Commonwealth. The advertising consisted of brochures. The 2 brochures were requested, received and reviewed to ascertain compliance with Act 205, Section 5 (40 P.S. §1171.5), Unfair Methods of Competition and Unfair or Deceptive Acts or Practices and Title 31 Pennsylvania Code, Chapter 51 and Chapter 89. No violations were noted.

## V. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy contracts, riders, endorsements and applications used in order to determine compliance with requirements of Insurance Company Law, Chapter 2, Section 354 (40 P.S. §477b). Applications and claim forms were also reviewed to determine compliance with Title 18, Pennsylvania Consolidated Statutes, Section 4117(k). No violations were noted.

## VI. PRODUCER LICENSING

The Company was requested to provide a list of all producers active and terminated during the experience period. Section 671-A (40 P.S. §310.71) of the Insurance Department Act prohibits producers from doing business on behalf of or as a representative of any entity without a written appointment from that entity. Section 641.1-A (40 P.S. §310.41a) of the Insurance Department Act prohibits a company from accepting insurance applications or securing any insurance business through anyone acting without a license. Section 671.1-A (40 P.S. §310.71a) of the Insurance Department Act requires the Company to report all producer terminations to the Department.

The Company provided a list of 17 active producers and 4 terminated producers. The 21 producers were compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the 51 different producers identified on applications reviewed in the policy issued sections of the exam. No violations were noted.

## VII. 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 2001, 2002, 2003, and 2004. The Company identified 4 consumer complaints received during the experience period. All 4 consumer complaint files were requested, received and reviewed.

The Department's list of written consumer complaints that were forwarded to the Company during the experience period was compared to the Company's complaint log. The complaint files and the 4 years of complaint logs were reviewed for compliance with the Unfair Insurance Practices Act, No 205 (40 P.S. §1171). Section 5 (a) (11) of the Act requires maintenance of a complete record of all complaints received during the preceding four (4) years. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with Title 31, Pennsylvania Code, Section 146.5(b) and 146.5(c), Unfair Claims Settlement Practices. No violations were noted.

## **VIII. UNDERWRITING**

The Underwriting review was sorted and conducted in nine general segments.

- A. Underwriting Guidelines
- B. Active Group Policies
- C. Credit Involuntary Unemployment Insurance Monthly Outstanding Balance Issued
- D. Group Single Interest (Collateral Protection) Certificates Issued
- E. Single Premium Involuntary Unemployment Certificates Issued
- F. Collateral Protection Certificates Terminated
- G. Credit Involuntary Unemployment Insurance Monthly Outstanding Balance Terminated
- H. Single Premium Involuntary Unemployment Certificates Terminated
- I. Single Interest Collateral Protection Certificates Terminated

Each segment was reviewed for compliance with underwriting practices and included forms identification and agent identification. Issues relating to forms or licensing appear in those respective sections of the Report and are not duplicated in the Underwriting portion of the Report.

### **A. Underwriting Guidelines**

The Company was requested to provide all underwriting guidelines and manuals utilized during the experience period. The enrollment guidelines were received and reviewed to ensure underwriting guidelines were in place and being followed in a uniform and consistent manner and that no practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by statute or regulation. No violations were noted.

### **B. Active Group Policies**

The Company was requested to provide a list of all active group policies issued or in-force during the experience period. The Company identified a universe of 3 group policies. All 3 group files were requested, received and reviewed. The group contracts were reviewed to ensure compliance with Title 31, Pennsylvania Code, Section 73.114 insurability requirements, 73.115 benefits exclusions, 73.116 age requirements and 73.130 election of coverage and disclosure requirements. No violations were noted.

### **C. Credit Involuntary Unemployment Insurance Monthly Outstanding Balance Issued**

The Company was requested to provide a list of all certificates issued during the experience period. The Company identified a universe of 2,486 involuntary unemployment insurance monthly outstanding balance issued certificates. A random sample of 25 certificates was requested. Of the 25 requested, 21 were received and

reviewed. The files were reviewed to ensure compliance with contract provisions, issuance and rating laws and regulations. The following violations were noted:

**4 Violations – Title 31, Pennsylvania Code, Section 73.133(h). Claims and examination procedures.**

Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 4 certificates noted were not provided by the Company.

**D. Group Single Interest (Collateral Protection) Certificates Issued**

The Company was requested to provide a list of all certificates issued during the experience period. The Company identified a universe of 5,134 group single interest certificates issued. A random sample of 50 certificates was requested. Of the 50 certificates requested, 45 were received and reviewed. The files were reviewed to ensure compliance with contract provisions, issuance and rating laws and regulations. The following violations were noted:

**5 Violations – Title 31, Pennsylvania Code, Section 73.133(h). Claims and examination procedures.**

Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 5 certificates noted were not provided by the Company.

**E. Single Premium Involuntary Unemployment Certificates Issued**

The Company was requested to provide a list of all certificates issued during the experience period. The Company identified a universe of 13,670 single premium involuntary unemployment certificates. A random sample of 100 certificates was requested. Of the 100 files requested, 93 were received and reviewed. The files were reviewed to ensure compliance with contract provisions, issuance and rating laws and regulations. The following violations were noted:

**7 Violations – Title 31, Pennsylvania Code, Section 73.133(h). Claims and examination procedures.**

Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made

available for Department review upon request. The 7 certificates noted were not provided by the Company.

#### **F. Collateral Protection Certificates Terminated**

The Company was requested to provide a list of all certificates terminated during the experience period. The Company identified a universe of 46 collateral protection certificates terminated. All 46 files were requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations and proper return of any unearned premium. No violations were noted.

#### **G. Credit Involuntary Unemployment Insurance Monthly Outstanding Balance Terminated**

The Company was requested to provide a list of all certificates terminated during the experience period. The Company identified a universe of 2,344 involuntary unemployment insurance (IUI) monthly outstanding balance terminated certificates. A random sample of 25 certificates was requested. Of the 25 files requested, 23 were received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations and proper return of any unearned premium. The following violations were noted:

**2 Violations – Title 31, Pennsylvania Code, Section 73.133(h). Claims and examination procedures.**

Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 2 certificates noted were not provided by the Company.

**H. Single Premium Involuntary Unemployment Certificates Terminated**

The Company was requested to provide a list of all certificates terminated during the experience period. The Company identified a universe of 14,214 single premium involuntary unemployment certificates terminated. A random sample of 100 certificates was requested. Of the 100 requested, 89 were received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations and proper return of any unearned premium. The following violations were noted:

**11 Violations – Title 31, Pennsylvania Code, Section 73.133(h). Claims and examination procedures.**

Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for

the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 11 certificates noted were not provided by the Company.

### **I. Single Interest Collateral Protection Certificates Terminated**

The Company was requested to provide a list of all certificates terminated during the experience period. The Company identified a universe of 2,942 single interest collateral protection certificates terminated. A random sample of 25 certificate files was requested. Of the 25 files requested, 22 were received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations and proper return of any unearned premium. The following violations were noted:

#### **3 Violations – Title 31, Pennsylvania Code, Section 73.133(h). Claims and examination procedures.**

Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 3 certificates noted were not provided by the Company.

## **IX. GROUP CREDIT EXAMINATION AUDITS**

The Company was requested to provide a list of all group policyholders active during the experience period. The Company identified a universe of 3 group policyholders. All 3 groups were selected and the company was requested to provide copies of the required annual audit examinations. The audits were received and reviewed to ensure compliance with Title 31, Pennsylvania Code, Section 73.133.

Subsections (e), (f) and (g) of Section 73.133 of the Pennsylvania Code provides for the insurers responsibility in conducting annual examinations of creditors. No violations were noted.

## X. CLAIMS

The claims review consisted of a review of the Company's claim manuals and a review of the claim files. The Company was requested to provide copies of all procedural guidelines including all manuals, memorandums, directives and any correspondence or instructions used for processing claims during the experience period. The Company provided the following claim manuals for review:

1. Claims Operations
  - A. Life & Disability Cause Codes
  - B. ASI Cause Codes
  - C. IUI Cause Codes
  - D. Property Cause Codes
  - E. Address Codes
  - F. Mail Codes
2. Credit Protection
3. Credit Involuntary Unemployment
4. Collateral Protection Van Wagenen Claims Procedures
  - A. AIMS Claims Computer Program
  - B. Adjuster Procedures for New Claims
  - C. Recovery
  - D. Reports
  - E. Confidentiality
5. Triton Insurance Company Citifinancial Department Operations Policies

The claim manuals and procedures were reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

The claim file review consisted of 4 areas:

- A. Collateral Protection Claims
- B. Vendors Single Interest Collateral Protection Claims
- C. Credit Property Claims
- D. Credit Involuntary Unemployment Claims

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). The claims were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices. The life claims were additionally reviewed for compliance with Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b).

#### **A. Collateral Protection Claims**

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 48 collateral protection claims. All 48 claims were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. No violations were noted.

## **B. Vendors Single Interest Collateral Protection Claims**

The Company was requested to provide a list of claims received during the experience period. The company identified a universe of 176 vendors single interest collateral protection claims. A random sample of 25 claims was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. No violations were noted.

## **C. Credit Property Claims**

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 17 credit property claims. All 17 claims were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. No violations were noted.

## **D. Credit Involuntary Unemployment Claims**

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 1,274 credit involuntary unemployment claims. A random sample of 25 claims was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. No violations were noted.

## **XI. RECOMMENDATIONS**

The recommendation 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 violations, noted in the Report.

1. The Company must review and revise procedures to ensure compliance with record retention requirements of Title 31, Pennsylvania Code, Section 73.133(h).

## **XII. COMPANY RESPONSE**

**TRITON INSURANCE COMPANY**  
***Compliance Department***

*Faye L. Johnson*  
Director Of Compliance

April 11, 2006

Mr. Daniel A. Stemcosky, AIE, FLMI  
Market Conduct Division Chief  
Commonwealth of Pennsylvania  
Insurance Department  
Bureau of Enforcement  
1321 Strawberry Square  
Harrisburg, Pennsylvania 17120

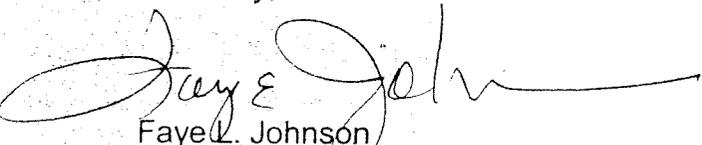
RE: Examination Warrant Number: 04-M24-034

Dear Mr. Stemcosky:

Enclosed you will find a copy of the Report of Examination for the above referenced. The Company responses are reflected on page 24 of the report.

We trust that you will find the responses satisfactory. Please note that Triton Insurance Company is committed to working through any outstanding issues. Please contact me at (817) 820 – 5013 if you have any questions regarding this matter.

Sincerely,

  
Faye L. Johnson  
Director of Compliance

Attachment: Report of Examination of Triton Insurance Company

## **XII. COMPANY RESPONSE**

### **VIII. Underwriting and Recommendation Item One**

The insured's credit insurance certificate referenced in the exam report is maintained with the loan account file at the creditor's office, as is the standard practice within the credit insurance industry. Our affiliate creditor has in place a Records Management Policy that requires that customer records including the credit insurance documents be maintained at the creditor's office for a period of two years after the loan is paid off. Subsequently, the files are maintained at an offsite storage facility for an additional period of five years. The Records Management Policy was recently enhanced and additional controls have been put in place to ensure adherence to the policy and enable compliance with applicable laws and regulations. Compliance with the Records Management Policy is monitored through the audit examinations of the creditor. The enhancements to the Policy and increased monitoring should greatly reduce the inability to access the credit insurance documents.