

RECEIVED
INSURANCE DEPARTMENT
2017 JUL 18 AM 10:58
ADMIN HEARINGS OFFICE

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
THE TRAVELERS INDEMNITY CO.	:	40 P.S. §§471 and 1171.5(a)(1)(vi)
One Tower Square	:	
Hartford, CT 06183-9089	:	
	:	
	:	
Respondent.	:	Docket No. CO16-07-005

CONSENT ORDER

AND NOW, this 18th day of July, 2017, 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, and the Findings of Fact and Conclusions of Law contained herein, 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 does not admit the Findings of Fact or Conclusions of Law contained herein.

FINDINGS OF FACT

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

- (a) Respondent is The Travelers Indemnity Co., and maintains its mailing address at One Tower Square, Hartford, CT 06183-9089.
- (b) Respondent is, and at all times relevant hereto has been, a licensed insurance company.
- (c) During 2011 and 2014, Respondent's vice president and senior counsel made inquiries to the Pennsylvania Insurance Department as whether it would be

legal to offer \$20.00 gasoline gift cards to Pennsylvania prospects as an offer to provide quotes for automobile insurance.

- (d) Based upon reviews by the Pennsylvania Insurance Department's legal counsel during the aforementioned period, the Director of the Bureau of Licensing & Enforcement advised Respondent that offers of inducements to quote insurance for prospective insureds would violate Pennsylvania law.
- (e) Respondent attempted to restructure its gas card program for Pennsylvania based on the guidance Respondent received from Pennsylvania Insurance Department.
- (f) On June 4, 2015, a complaint was received that included Respondent's brochure and a \$20.00 Shell gift card that the complainant received from Respondent.
- (g) The brochure and gift card received from the complainant tied the gift card to receiving a quote for insurance based upon the complainant telephoning a toll free number, with the indication that a quote was not necessary written in small print on the back of the brochure.
- (h) Upon telephoning the toll free number, an initial message identified Respondent as the source and stated, "In order to receive your rewards card

or promotional gift, we first need to speak with you about a quote". The order of the three (3) options to the prospect were to "get a quote", "work with an existing card or gift:", or "something else".

- (i) During October 2015 and January 2016, Respondent affirmed that it had used a program that was internally titled "Incentive to Quote" and mailed Shell gift cards to Pennsylvania prospects, a portion of which were activated when recipients telephoned the number shown on the brochure and gift card.
- (j) Respondent affirmed that a number of Pennsylvania prospects received quotes for insurance from Respondent upon calling the telephone number.
- (k) Respondent's telephone script for sales representatives affirmed that the activation of the gift card could not be tied to a quote, but instructed the sales representative to "offer/attempt to quote" to Pennsylvania prospects.
- (l) Respondent's telephone script for sales representatives included the following instructions: "Pennsylvania callers may opt out of the quote/decline/issue requirement. In these instances, activate/fulfill the offer at the caller's request. DO NOT promote this exception or dissuade the customer from completing the quote process."

- (m) The brochure that accompanied the Shell gift card included information that did not comply with Pennsylvania insurance marketing standards, including a claim that new automobile insurance rates were available in “Your State” although Pennsylvania was not otherwise identified.
- (n) The brochure identified three individuals, presumably from Pennsylvania based upon the “Your State” inference, that were to have saved money by switching to Respondent from other insurers; however, the three individuals were subsequently verified by Respondent as being from states other than Pennsylvania.
- (o) Respondent’s brochure failed to include a specifically named contract or verification that new rates had been approved in Pennsylvania.

CONCLUSIONS OF LAW

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

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.

(b) 40 P.S. §471 states no insurance company, association, or exchange, by itself or by its officers or members, attorney-in-fact or by any other party, shall offer, promise, allow, give, set off, or pay, directly or indirectly, any rebate of, or part of, the premium payable on the policy, or on any policy or agent's commission thereon, or earnings, profit, dividends, or other benefit founded, arising, accruing, or to accrue thereon or therefrom, or any special advantage in date of policy or age of issue, or any paid employment or contract for services of any kind, or any other valuable consideration or inducement, to or for insurance on any risk in this Commonwealth, now or hereafter to be written, which is not specified in the policy contract of insurance; nor shall any such company, association, or exchange, personally or otherwise, offer, promise, give, option, sell, or purchase any stocks, bonds, securities, or property, or any dividends or profits accruing or to accrue thereon, or other thing of value whatsoever, as inducement to insurance or in connection therewith, which is not specified in the policy. Nothing in this section shall be construed to prevent the taking of a bona fide obligation, with legal interest, in payment of any premium.

(c) Respondent's activities described above in paragraphs 4(c) through 4(l) violate 40 P.S. §471.

(d) Respondent's violations of 40 P.S. §471 are punishable by the following, under 40 Purdons Statutes Section 475:

The commissioner may take any one or more of the following courses of actions:

- (1) Revoke the certificate of authority of such offending company, association, or exchange;
- (2) refuse, for a period of not to exceed one year thereafter, to issue a new license to such offending company, association or exchange;
- (3) Impose a penalty of not more than \$1,000 for each act of violation of said sections.

- (e) 40 P.S. § 1171.5(a)(1)(vi) states that “Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means making, publishing, issuing or circulating any estimate, illustration, circular, statement, sales presentation, omission comparison which is a misrepresentation for the purpose of inducing or tending to induce the lapse, forfeiture, exchange, conversion or surrender of any insurance policy.
- (f) Respondent’s activities described above in paragraphs 4(m) through 4(o) violate 40 P.S. §1171.5(a)(1)(vi).
- (i) Respondent’s violations of 40 P. S. §1171.5(a)(1)(vi), are punishable by the following, under 40 Purdons Statutes, Sections 1171.8, 1171.9, and 1171.11:

- (i) an order requiring Respondent to cease and desist from engaging in such violation and/or, if such violation is a method of competition, act or practice defined in Section 5 of this Act, suspension or revocation of Respondent's license(s);
- (ii) commencement of an action against Respondent for the following civil penalties:
 - (1) for each method of competition, act or practice defined in Section 5 and in violation of the Act which Respondent knew or reasonably should have known was such a violation, a penalty of not more than five thousand dollars (\$5,000.00) for each violation, not to exceed an aggregate penalty of fifty thousand dollars (\$50,000.00) in any six month period;
 - (2) for each method of competition, act or practice defined in Section 5 and in violation of this Act which Respondent did not know nor reasonably should have known was such a violation, a penalty of not more than one thousand dollars (\$1,000.00) for each violation, not to exceed an aggregate penalty of ten thousand dollars (\$10,000.00) in any six month period;
 - (3) for each violation of an Order issued by the Commissioner pursuant to Section 9 of the Act, while such Order is in effect, a penalty of not more than ten thousand dollars (\$10,000.00).

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 pay a civil penalty of One Hundred Thousand Dollars (\$100,000.00) to the Commonwealth of Pennsylvania. Payment of this penalty shall be made by certified check or money order, payable to the Commonwealth of Pennsylvania. Payment should be directed to Bureau of Licensing and Enforcement, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment may be enclosed with the Consent Order, but must be paid in any event no later than fourteen (14) days after the date of the Consent 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, the Department may pursue any and all legal remedies available, including but not limited to the following: 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; or, if applicable, the

Department may enforce the provisions of this Order in any other court of law or equity having jurisdiction.

8. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Insurance 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. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or the duly authorized delegate is authorized to bind the Insurance Department with respect to the settlement of the alleged violation of law

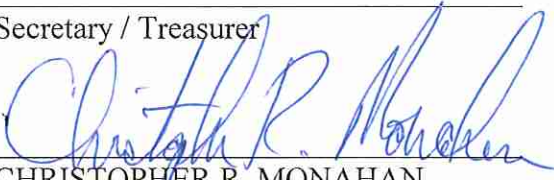
contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or the duly authorized delegee.

BY: THE TRAVELERS INDEMNITY CO.
Respondent



President / Vice President

Secretary / Treasurer



CHRISTOPHER R. MONAHAN
Deputy Insurance Commissioner
Commonwealth of Pennsylvania