

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

RECEIVED
INSURANCE DEPARTMENT
ADMINISTRATIVE OFFICE
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IN RE: : VIOLATIONS:
: :
TRAVCO INSURANCE COMPANY : Sections 2003 and 2013 of the Act of June 17,
THE TRAVELERS HOME AND : 1998, P.L. 464, No. 68 (40 P.S. §§991.2003,
MARINE INSURANCE COMPANY : 991.2013)
One Tower Square : :
Hartford, CT 01683 : Sections 5, 9 and 11 of the Act of July 22, 1974,
: P.L. 589, No. 205 (Unfair Insurance Practices
: Act) (40 P.S. §§1171.5, 1171.9, 1171.11)
: :
: Title 18, Pennsylvania Consolidated Statutes,
: Section 6310.4(d)
: :
Respondent. : Docket No. MC06-10-028

CONSENT ORDER

AND NOW, this 18th day of *December*, 2006, this Order is hereby issued by the Deputy Insurance Commissioner 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 Deputy Insurance Commissioner finds true and correct each of the following Findings of Fact:

Parties and Background

- (a) Respondent is Travco Insurance Company and The Travelers Home and Marine Insurance Company, and maintains its address at One Tower Square, Hartford, Connecticut 01683.
- (b) Respondent holds a valid certificate of authority to act as a property/casualty insurer in the Commonwealth of Pennsylvania.
- (c) Respondent is engaged in the business of selling private passenger automobile insurance in the Commonwealth of Pennsylvania.
- (d) On August 10, 2006, the Pennsylvania Insurance Department (the "Department") requested copies of Respondent's auto underwriting guidelines and marketing materials used in Pennsylvania for Quantum Auto, beginning January 22, 2006.

- (e) Respondent responded to the Department's request, enclosing its Pennsylvania auto underwriting guidelines and marketing materials.

Underwriting Based on Age/Driving Experience Requirements

- (f) Pennsylvania law prohibits the underwriting of automobile insurance on the basis of age. *See* 40 P.S. §991.2003(a)(1); 40 P.S. §1171.5(a)(7)(iii).
- (g) Pennsylvania law permits a person 16 or 17 years old to drive an automobile with a limited privilege Junior driver's license. *See* 75 Pa. C.S.A. §§1503(c), *et seq.*
- (h) Requiring a full privilege driver's license in order to be eligible to obtain automobile insurance constitutes a *per se* unlawful criterion based upon age.
- (i) Respondent's underwriting guidelines require applicants to have a full privilege driver's license in order to be eligible to obtain automobile insurance through Respondent.
- (j) Respondent's underwriting guidelines as set forth above impose a *de facto* age requirement.

Underwriting Based On Accident History

- (k) Pennsylvania law prohibits the underwriting of automobile insurance on the grounds of the incidence of certain enumerated types of accidents or comprehensive claims. *See* 40 P.S. §991.2003(a)(13), (14).

- (l) Respondent's underwriting guidelines exclude applicants who have certain enumerated types of accidents (that is, accidents enumerated in §991.2003(a)(13)) on their records from being eligible to obtain automobile insurance through Respondent.
- (m) Respondent's underwriting guidelines exclude applicants who have comprehensive claims on their records from being eligible to obtain automobile insurance through Respondent.
- (n) Respondent's underwriting guidelines as set forth above impose an explicitly prohibited accident history requirement.

Underwriting Based Upon Accidents Occurring More Than 36 Months Prior

- (o) Pennsylvania law prohibits the underwriting of automobile insurance on the grounds of accidents which occurred more than thirty-six (36) months prior to the later of the inception of the insurance policy or the upcoming anniversary date of the policy. *See* 40 P.S. § 991.2003(13)(ix).
- (p) Respondent's underwriting guidelines exclude applicants with one major conviction and any other incidents (at fault accidents, not at fault accidents and minor convictions) within the past 60 months.
- (q) Respondent's underwriting guidelines as set forth, impose an explicitly prohibited accident history requirement.

Non Renewal Based Upon Possession / Transportation Of Alcohol

- (r) Pennsylvania law provides that an insurer shall not increase premiums, impose any surcharge or rate penalty, or make any driver record point assignment for automobile insurance, nor shall an insurer cancel or refuse to renew an automobile insurance policy on account of a suspension under Title 18, Section 6308 for purchase, consumption, possession or transportation of any liquor or malt or brewed beverages while under the age of 21. *See* 18 Pa.C.S. § 6310.4(d).
- (s) Respondent's renewal underwriting guidelines identify as ineligible for renewal, any operator who has a conviction in the last 24 months for illegal possession of alcohol or drugs in a motor vehicle.
- (t) Respondent's renewal underwriting guidelines impose an explicitly prohibited cancellation or nonrenewal of an automobile insurance policy for possession of alcohol in a motor vehicle.

Underwriting Based On Supporting Coverage

- (u) Pennsylvania law defines as an unfair method of competition or unfair or deceptive acts or practices as 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. *See* 40 P.S. § 1171.5(a)(4).

- (v) Respondent's underwriting guidelines require applicants to have a full privilege driver's license in order to be eligible to obtain or renew automobile insurance through Respondent, unless part of a family account where another insured holds a valid full-privilege license.
- (w) Respondent's underwriting guidelines as set forth for the above, appears to require supporting coverage of another insured holding a full privilege license.

CONCLUSIONS OF LAW

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

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

Underwriting Based on Age

- (b) Section 2003(a)(1) of the Act of June 17, 1998, P.L. 464, No. 68 (40 P.S. §§991.2001 *et seq.*) ("Act 68") prohibits an insurer from refusing to write a policy of automobile insurance on the grounds of the applicant's age. 40 P.S. §991.2003(a)(1).
- (c) Section 5(a)(7)(iii) of the Act of July 22, 1974, P.L. 589, No. 205 (40 P.S. §§1171.1 *et seq.*) ("Act 205" or "Unfair Insurance Practices Act" or "UIPA") prohibits an insurer from "making or permitting any unfair

discrimination between individuals of the same class and essentially the same hazard with regard to underwriting standards and practices or eligibility requirements by reason of ... age” 40 P.S. §1171.5(a)(7)(iii).

(d) Respondent’s violations of Section 2003(a)(1) of Act 68 are punishable under Section 2013 of Act 68 by the administrative imposition of a fine not to exceed five thousand dollars (\$5,000.00). 40 P.S. §991.2013.

(e) Respondent’s violations of Section 5(a)(7)(iii) of the UIPA are punishable under Section 9 of the UIPA by the administrative imposition of a cease and desist order.

(f) In addition to any penalties imposed by the Commissioner for Respondent’s violation of the UIPA, under Section 11 of the UIPA, the Commissioner may file an action in Commonwealth Court seeking a court imposition of monetary penalties as follows:

1. for each method of competition, act or practice which Respondent knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00) for each violation but 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 which Respondent 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) for each violation but not to exceed an aggregate penalty of ten thousand dollars (\$10,000.00) in any six month period. 40 P.S. §1171.11.

Underwriting Based On Accident History

- (g) Section 2003(a)(13), (14) of the Act of June 17, 1998, P.L. 464, No. 68 (40 P.S. §§991.2001 *et seq.*) (“Act 68”) prohibits an insurer from refusing to write a policy of automobile insurance on the grounds of the incidence of certain enumerated types of accidents or comprehensive claims. 40 P.S. §991.2003(a)(13), (14).
- (h) Respondent’s violations of Sections 2003(a)(13) and (14) of Act 68 are punishable under Section 2013 of Act 68 by the administrative imposition of a fine not to exceed five thousand dollars (\$5,000.00) per violation. 40 P.S. §991.2013.

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Deputy Insurance Commissioner 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) Within thirty (30) days of the date of this Order, Respondent shall revise and reissue its underwriting guidelines for use in Pennsylvania to ensure that the guidelines do not exclude applicants from being eligible to obtain insurance by reason of the prohibited conduct described above in the Findings of Fact and Conclusions of

Law and are compliant with Pennsylvania law, including, but not limited to, the following:

- deleting all reference to full privilege drivers license requirements;
- deleting all limitations to eligibility based on accidents as enumerated in 40 P.S. §991.2003(a)(13) or comprehensive claims (or by specifying that any limitations based on accident or claim history may not include the types of claims or accidents enumerated in 40 P.S. §991.2003(a)(13), (14), including accidents which occurred more than 36 months prior to the later of the inception of the insurance policy or the upcoming anniversary date of the policy.
- deleting reference to illegal possession of alcohol in a motor vehicle as a reason for nonrenewal.
- deleting all reference to any supporting coverage requirements.

(c) Respondent shall pay a civil penalty of Twenty Thousand Dollars (\$20,000.00) to the Commonwealth of Pennsylvania. Payment shall be made by check payable to the Commonwealth of Pennsylvania, and directed to Sharon L. Fraser, Administrative Assistant, Bureau of Enforcement, 1227 Strawberry Square, Harrisburg, PA 17120.

Payment must be made no later than thirty (30) days from the date of this Order.

6. In the event the Deputy Insurance Commissioner 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 Deputy Insurance Commissioner 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 Deputy Insurance Commissioner 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 Deputy Commissioner finds that there has been a breach of any of the provisions of this Order, the Deputy Commissioner 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.

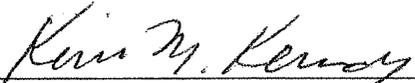
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order by the Insurance Department.

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.

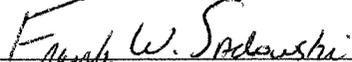
11. This Order shall be final upon execution by the Deputy Insurance Commissioner. Only the Insurance Commissioner or a duly authorized Deputy Insurance Commissioner is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this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

12. The signatory hereto on behalf of Respondent is duly authorized to execute this Consent Order and, by so doing, to bind Respondent to the terms hereof.

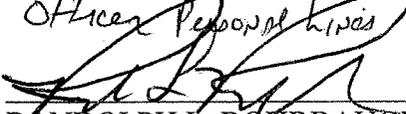
BY: TRAVCO INSURANCE COMPANY
and THE TRAVELERS HOME AND
MARINE INSURANCE COMPANY,
Respondent



~~President / Vice President~~
2nd vice president



~~Secretary / Treasurer~~
*Associate General Counsel and Chief Compliance
Officer Personal Lines*



RANDOLPH L. ROHRBAUGH
Deputy Insurance Commissioner
Commonwealth of Pennsylvania