

**MARKET CONDUCT EXAMINATION REPORT**

**OF**

**TRAVELERS INDEMNITY COMPANY OF  
AMERICA**

**TRAVCO INSURANCE COMPANY**

**AND**

**TRAVELERS PERSONAL SECURITY  
INSURANCE COMPANY**

**AS OF**

**June 30, 2018**

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE**

**Property and Casualty Division  
Market Conduct Section**

# COMMONWEALTH OF VIRGINIA



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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Andrea Baytop, Principal Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of The Travelers Indemnity Company of America, TravCo Insurance Company, and Travelers Personal Security Insurance Company as of June 30, 2018, conducted at the companies' offices in Hartford, Connecticut and Richmond, Virginia is a true copy of the original Report on file with the Bureau and also includes a true copy of the companies' response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case Number INS-2019-00059 finalizing this Report.

IN WITNESS WHEREOF, I have  
hereunto set my hand and affixed  
the official seal of this the Bureau  
at the City of Richmond, Virginia,  
this 20<sup>th</sup> day of April 2020.

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Examiner in Charge

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# TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	1
INTRODUCTION .....	3
COMPANY PROFILES .....	4
SCOPE OF THE EXAMINATION .....	7
STATISTICAL SUMMARY .....	8
PART ONE – THE EXAMINERS’ OBSERVATIONS .....	10
RATING AND UNDERWRITING REVIEW .....	10
Private Passenger Automobile New Business Policies .....	10
Private Passenger Automobile Renewal Business Policies .....	10
Homeowner New Business Policies .....	11
Homeowner Renewal Business Policies .....	12
Commercial Automobile New Business Policies .....	12
Commercial Automobile Renewal Business Policies .....	12
TERMINATION REVIEW .....	13
Company-Initiated Cancellations – Private Passenger Automobile Policies	13
Notice Mailed Prior to the 60 <sup>th</sup> Day of Coverage .....	13
Notice Mailed After the 59 <sup>th</sup> Day of Coverage .....	14
All Other Cancellations – Private Passenger Automobile Policies .....	14
Nonpayment of Premium .....	14
Requested by the Insured .....	14
Company-Initiated Nonrenewals – Private Passenger Automobile Policies	14
Company-Initiated Cancellations – Homeowner Policies .....	15
Notice Mailed Prior to the 90 <sup>th</sup> Day of Coverage .....	15
Notice Mailed After the 89 <sup>th</sup> Day of Coverage .....	15
All Other Cancellations – Homeowner Policies .....	15
Nonpayment of Premium .....	15
Requested by the Insured .....	15

Company-Initiated Nonrenewals – Homeowner Policies .....	16
Commercial Automobile Policies .....	16
CLAIMS REVIEW .....	16
Private Passenger Automobile Claims .....	16
Homeowner Claims.....	19
Commercial Automobile Claims .....	20
FORMS REVIEW .....	21
Automobile Policy Forms .....	22
Policy Forms Used During the Examination Period .....	22
Policy Forms Currently Used .....	22
Homeowner Policy Forms .....	22
Policy Forms Used During the Examination Period .....	22
Policy Forms Currently Used .....	23
Commercial Automobile Policy Forms.....	23
Policy Forms Used During the Examination Period .....	23
Policy Forms Currently Used .....	23
POLICY ISSUANCE PROCESS REVIEW .....	23
Automobile Policies.....	24
New Business Policies .....	24
Renewal Business Policies.....	24
Homeowner Policies .....	24
New Business Policies .....	24
Renewal Business Policies.....	24
Commercial Automobile Policies .....	24
New Business Policies .....	25
Renewal Business Policies.....	25
STATUTORY NOTICES REVIEW .....	25
General Statutory Notices .....	26
Statutory Vehicle Notices .....	26

Statutory Property Notices .....	27
Other Notices .....	27
LICENSING AND APPOINTMENT REVIEW .....	27
Agency.....	28
Agent .....	28
COMPLAINT-HANDLING PROCESS REVIEW .....	28
PRIVACY AND INFORMATION SECURITY PROCEDURES REVIEW.....	28
PART TWO – CORRECTIVE ACTION PLAN .....	29
General.....	29
Rating and Underwriting Review .....	29
Termination Review .....	30
Claims Review .....	30
Forms Review.....	31
Policy Issuance Process Review.....	32
Statutory Notices Review .....	32
Licensing and Appointment Review .....	33
PART THREE – RECOMMENDATIONS.....	34
RECOMMENDATIONS .....	34
Rating and Underwriting.....	34
Termination.....	34
Claims.....	34
Statutory Notices.....	35
SUMMARY OF PREVIOUS EXAMINATION FINDINGS.....	35
ACKNOWLEDGEMENT.....	36

## **EXECUTIVE SUMMARY**

The examination included a detailed review of Travelers Indemnity Company of America, TravCo Insurance Company, and Travelers Personal Security Insurance Company's private passenger automobile, homeowner, and commercial automobile lines of business in Virginia for the period beginning January 1, 2018 and ending June 30, 2018. This review included rating and underwriting, policy terminations, claims handling, forms, policy issuance, statutory notices, agent/agency licensing, complaint-handling, and information security practices.

This is the first Market Conduct Examination the Virginia Bureau of Insurance (Bureau) has performed on these companies. The examination was called as a result of the Market Conduct Annual Statement (MCAS) and market analysis.

The examination revealed violations that were significant. There were 322 total violations in this Report. There were 173 rating and underwriting violations, in contrast to 13 violations in the area of terminations.

In the area of claims there were 78 violations and six general business practices (GBP). There were four forms violations, 18 violations in the area of policy issuance, 14 violations in the areas of licensing and appointments, and 22 notice violations.

The Corrective Action Plan (CAP) for rating and underwriting requested that the companies properly represent the premium charges, use the rules and rates on file with the Bureau, and update credit information at least once every three years. The CAP for terminations requested that the companies obtain written requests for insured-requested cancellations and provide a written notice of cancellation to insureds. The claims CAP requested that the companies document all events and dates pertinent to the claim, disclose to the insured all coverages applicable to the loss, offer an amount that is fair and reasonable, properly represent pertinent facts or insurance provisions relating to the

replacement cost provisions of the policy, and obtain a valid Assignment of Benefits (AOB) from the insured prior to making payments directly to the medical provider. In addition to the GBP's, there were eight occurrences where the companies failed to comply with the provisions of the insurance policy by failing to pay the claim under the correct coverage, handling Uninsured Motorist (UM) claims improperly, and paying the insured more than was allowed under the provisions of the policy. The companies were requested to conduct an internal audit of their MEB claims and report their findings to the Bureau.

In the area of forms, the companies were advised to file broadenings of standard automobile forms prior to use, have available for use all of the mandatory standard forms, and use the rate classification statement filed and approved by the Bureau. The policy issuance CAP requested that the companies provide a notice offering coverage for water that backs up through sewers or drains, provide the Important Information Regarding Your Insurance notice, provide the Medical Expense Benefits (MEB) notice, and provide the UM Limits notice when applicable. In the area of notices, the companies were advised to add the right to review by the Commissioner language to their cancellation notices, create an Ordinance or Law notice, and correct the following notices: Information Collection and Disclosure Practices, Adverse Underwriting Decision, Accident Point Surcharge, Insurance Credit Score Disclosure, and Replacement Cost Benefits. The licensing and appointment CAP requested that the companies retain insurance transaction records properly, only permit licensed agents to transact business, and appoint agents within 30 days of issuing policies.

In addition, the CAP requested that the corrective actions apply to all of the Travelers Companies writing these lines of business. Finally, the CAP requested that restitution of \$21,707.98 be made to 77 Virginia consumers.



## INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a comprehensive examination has been made of the private passenger automobile, homeowner, and commercial automobile lines of business written by Travelers Indemnity Company of America, TravCo Insurance Company, and Travelers Personal Security Insurance Company at their offices in Richmond, Virginia and Hartford, Connecticut.

The examination commenced October 22, 2018 and concluded July 24, 2019. Andrea D. Baytop, William T. Felvey, Karen S. Gerber, Ju'Coby D. Hendrick, Dan R. Koch, Melody S. Morrissette, Latitia L. Orange, and Gloria V. Warriner, examiners of the Bureau of Insurance, and Joy M. Morton, Market Conduct Manager of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on April 23, 2018 and was assigned the Action Number of VA-VA097-21. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

**COMPANY PROFILES \***

The Travelers Indemnity Company of America (TICA) was incorporated under the laws of Georgia on January 2, 1946 and commenced business on May 1, 1946. Business of the company was conducted under the name Standard National Insurance Company from organization until November 1, 1971, when the present title was adopted. The company re-domesticated from Georgia to Connecticut, effective July 1, 1997.

TravCo Insurance Company (TIC) was incorporated under the laws of Indiana on July 24, 1991 and commenced business on June 2, 1992. Effective January 1, 1999, the company re-domesticated from Indiana to Connecticut.

Travelers Personal Security Insurance Company (TPSIC) was incorporated under the laws of Connecticut on January 3, 1990 as Aetna Personal Security Insurance Company and began business on January 12, 1990. The present title became effective on July 1, 1997.

The table below indicates when the companies were licensed in Virginia and the lines of insurance that the companies were licensed to write in Virginia during the examination period. All lines of insurance were authorized on the date that the company was licensed in Virginia except as noted in the table.

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\* Source: Best's Insurance Reports, Property & Casualty, 2018 Edition.

<b>GROUP CODE: 3548</b>	<b>TICA</b>	<b>TIC</b>	<b>TPSIC</b>
NAIC Company Number	25666	28188	36145
LICENSED IN VIRGINIA	10/1/1968	3/26/1993	2/12/2008
LINES OF INSURANCE			
Accident and Sickness	X		
Aircraft Liability	X		X
Aircraft Physical Damage	X		X
Animal	12/1/1998		
Automobile Liability	X	4/27/1994	X
Automobile Physical Damage	X	4/27/1994	X
Boiler and Machinery	X		X
Burglary and Theft	X	X	X
Commercial Multi-Peril	X		X
Credit			
Farm owners Multi-Peril	X		X
Fidelity	X		X
Fire	X	X	X
General Liability	X	X	X
Glass	X	X	X
Home Protection			X
Homeowners Multi-Peril	X	X	X
Inland Marine	X	X	X
Miscellaneous Property	X	X	X
Ocean Marine	X	X	X
Surety	X		X
Water Damage	X	X	X
Workers' Compensation	10/16/1981	X	

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2018 for those lines of insurance included in this examination.\* This business was developed through captive and independent agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
<b>Travelers Indemnity Company of America</b>		
Private Automobile Liability	\$350,906	.01%
Private Automobile Physical Damage	\$412,642	.02%
Commercial Automobile Liability	\$6,965,193	1.27%
Commercial Automobile Physical Damage	\$1,843,502	.97%
<b>TravCo Insurance Company</b>		
Private Automobile Liability	\$484,044	.01%
Private Automobile Physical Damage	\$476,277	.02%
Homeowners Multiple Peril	\$124,420,658	5.53%
<b>Travelers Personal Security Insurance Company</b>		
Private Automobile Liability	\$54,211,953	1.66%
Private Automobile Physical Damage	\$38,048,121	1.55%

\* Source: The 2018 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

## SCOPE OF THE EXAMINATION

The examination included a detailed review of the companies' private passenger automobile, homeowner, and commercial automobile lines of business written in Virginia for the period beginning January 1, 2018 and ending June 30, 2018. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance\*, statutory notices, agent/agency licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the companies' operations were consistent with public interest.

This Report is divided into three sections, Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Recommendations. Part One outlines all of the violations of Virginia insurance laws that were cited during the examination. In addition, the examiners cited instances where the companies failed to adhere to the provisions of the policies issued in Virginia. The Other Law Violations portion of Part One notes violations of other related laws that apply to insurers.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a general business practice and are subject to a monetary penalty.

In Part Three, the examiners list recommendations regarding the companies' practices that require some action by the companies. This section also summarizes the violations for which the companies were cited in previous examinations.

The examiners may not have discovered every unacceptable or non-compliant activity in which the companies engaged. The failure to identify, comment on, or criticize specific company practices does not constitute an acceptance of the practices by the Bureau.

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\*Policies reviewed under this category reflected the companies' current practices and, therefore, fell outside of the exam period.

### **STATISTICAL SUMMARY**

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the companies. The relationship between population and sample is shown on the following page.

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

**Population  
Sample Requested**

AREA	TICA	TIC	TPSIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
<b>Private Passenger Auto</b>								
New Business <sup>1</sup>	<u>0</u> 0	<u>0</u> 0	<u>8018</u> 29	<u>8018</u> 29	24	0	10	42%
Renewal Business <sup>2</sup>	<u>0</u> 0	<u>0</u> 0	<u>32429</u> 25	<u>32429</u> 25	24	0	17	71%
Co-Initiated Cancellations <sup>3</sup>	<u>0</u> 0	<u>0</u> 0	<u>344</u> 15	<u>344</u> 15	10	0	2	20%
All Other Cancellations <sup>4</sup>	<u>0</u> 0	<u>0</u> 0	<u>3445</u> 14	<u>3445</u> 14	12	0	3	25%
Nonrenewals	<u>0</u> 0	<u>0</u> 0	<u>489</u> 5	<u>489</u> 5	5	0	0	0%
<b>Homeowner</b>								
New Business	<u>0</u> 0	<u>19522</u> 30	<u>0</u> 0	<u>19522</u> 30	30	0	30	100%
Renewal Business	<u>0</u> 0	<u>69743</u> 30	<u>0</u> 0	<u>69743</u> 30	30	0	30	100%
Co-Initiated Cancellations <sup>5</sup>	<u>0</u> 0	<u>471</u> 32	<u>0</u> 0	<u>471</u> 32	7	0	1	14%
All Other Cancellations <sup>6</sup>	<u>0</u> 0	<u>15101</u> 15	<u>0</u> 0	<u>15101</u> 15	17	0	6	35%
Nonrenewals	<u>0</u> 0	<u>779</u> 5	<u>0</u> 0	<u>779</u> 5	5	0	1	20%
<b>Commercial Auto</b>								
New Business	<u>20</u> 5	<u>0</u> 0	<u>0</u> 0	<u>20</u> 5	5	0	2	40%
Renewal Business	<u>166</u> 20	<u>0</u> 0	<u>0</u> 0	<u>166</u> 20	20	0	9	45%
All Cancellations	<u>10</u> 5	<u>0</u> 0	<u>0</u> 0	<u>10</u> 5	5	0	0	0%
<b>Claims</b>								
Auto	<u>0</u> 0	<u>0</u> 0	<u>18001</u> 65	<u>18001</u> 65	65	0	29	45%
Property <sup>7</sup>	<u>0</u> 0	<u>12983</u> 45	<u>0</u> 0	<u>12983</u> 45	44	0	17	39%
Commercial Auto <sup>8</sup>	<u>522</u> 28	<u>0</u> 0	<u>0</u> 0	<u>522</u> 28	25	0	8	32%

Footnote <sup>1</sup> - Five files were not new business and were not reviewed.
Footnote <sup>2</sup> - One policy was an expiration and was not reviewed.
Footnote <sup>3</sup> - Five files were not mailed to the insured and were not reviewed.
Footnote <sup>4</sup> - Two files were expirations and were not reviewed.
Footnote <sup>5</sup> - The companies were unable to provide accurate cancellation population information for the examination. The examiners did not review all of the termination files because 23 were not Co-Initiated Cancellations, and were not reviewed. Two files were moved from Co-Initiated Cancellations to All Other Cancellations.
Footnote <sup>6</sup> - Two files from Co-Initiated Cancellations were added to All Other Cancellations.
Footnote <sup>7</sup> - One file was opened in error by the company and was not reviewed.
Footnote <sup>8</sup> - One file was a duplicate and two files were garagekeepers policies and were not reviewed.

## **PART ONE – THE EXAMINERS’ OBSERVATIONS**

This section of the Report contains all of the observations that the examiners provided to the companies. These include all instances where the companies violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the companies violated any other Virginia laws applicable to insurers.

### **RATING AND UNDERWRITING REVIEW**

#### **Private Passenger Automobile New Business Policies**

The examiners reviewed 24 new business policy files. During this review, the examiners found overcharges totaling \$1,541 and undercharges totaling \$45. The net amount that should be refunded to insureds is \$1,541 plus six percent (6%) simple interest.

The examiners found 22 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In 19 instances, the company failed to use the correct symbol.
- b. In one instance, the company failed to use the correct tier eligibility criteria.
- c. In one instance, the company failed to use the correct base and/or final rates.
- d. In one instance, the company failed to use proper credit score information when rating a policy.

#### **Private Passenger Automobile Renewal Business Policies**

The examiners reviewed 24 renewal business policy files. During this review, the examiners found overcharges totaling \$2,472 and no undercharges. The net amount that should be refunded to insureds is \$2,472 plus six percent (6%) simple interest.

(1) The examiners found 25 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In two instances, the company failed to apply the correct surcharge points



for accidents and/or convictions.

- b. In 11 instances, the company failed to use the correct symbol.
  - c. In one instance, the company failed to use the correct tier eligibility criteria.
  - d. In ten instances, the company failed to use the rules on file when calculating the Rate Stabilization Factor.
  - e. In one instance, the company failed to use proper credit score information when rating a policy.
- (2) The examiners found four violations of § 38.2-2234 B of the Code of Virginia. The company failed to update the insured's credit information at least once in a three-year period or when requested by the insured.

#### **Homeowner New Business Policies**

The examiners reviewed 30 new business policy files. During this review, the examiners found overcharges totaling \$924 and undercharges totaling \$35. The net amount that should be refunded to insureds is \$924 plus six percent (6%) simple interest.

The examiners found 55 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In one instance, the company failed to use the correct discounts and/or surcharges.
- b. In 15 instances, the company failed to use the correct base and/or final rates.
- c. In 39 instances, the company failed to follow the rules on file with the Bureau.

**Homeowner Renewal Business Policies**

The examiners reviewed 30 renewal business policy files. During this review, the examiners found overcharges totaling \$598 and undercharges totaling \$212. The net amount that should be refunded to insureds is \$598 plus six percent (6%) simple interest.

The examiners found 47 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In one instance, the company failed to use the correct discounts and/or surcharges.
- b. In 11 instances, the company failed to use the correct base and/or final rates.
- c. In 35 instances, the company failed to follow the rules on file with the Bureau.

**Commercial Automobile New Business Policies**

The examiners reviewed five new business policy files. During this review, the examiners found overcharges totaling \$17 and undercharges totaling \$2,198. The net amount that should be refunded to insureds is \$17 plus six percent (6%) simple interest.

The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the correct base and/or final rates.

**Commercial Automobile Renewal Business Policies**

The examiners reviewed 20 renewal business policy files. During this review, the examiners found overcharges totaling \$51 and undercharges totaling \$1,004. The net amount that should be refunded to insureds is \$51 plus six percent (6%) simple interest.

- (1) The examiners found three violations of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the

- insurance policy. The company misrepresented the premiums on the declarations page.
- (2) The examiners found 15 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
- a. In one instance, the company failed to use the correct territory.
  - b. In one instance, the company failed to use the correct usage classification factor.
  - c. In five instances, the company failed to use the correct base and/or final rates.
  - d. In one instance, the company failed to apply the correct increased limits factor.
  - e. In three instances, the company failed to apply the IRPM factor documented in the file.
  - f. In four instances, the company failed to use the rules on file with the Bureau by not applying the Company Deviation Factor to the Towing and Labor coverage.

### **TERMINATION REVIEW**

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

### **Company-Initiated Cancellations – Private Passenger Automobile Policies**

#### **NOTICE MAILED PRIOR TO THE 60<sup>TH</sup> DAY OF COVERAGE**

The examiners reviewed six automobile cancellations that were initiated by the companies where notice was mailed prior to the 60<sup>th</sup> day of coverage in the initial policy period.

The examiners found no violations in this area.

#### NOTICE MAILED AFTER THE 59<sup>TH</sup> DAY OF COVERAGE

The examiners reviewed four automobile cancellations that were initiated by the companies where notice was mailed on or after the 60<sup>th</sup> day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

The examiners found two violations of § 38.2-2212 E of the Code of Virginia. The company failed to send the cancellation notice to the insured.

### **All Other Cancellations – Private Passenger Automobile Policies**

#### NONPAYMENT OF PREMIUM

The examiners reviewed four automobile cancellations that were initiated by the companies for nonpayment of the policy premium.

The examiners found no violations in this area.

#### REQUESTED BY THE INSURED

In addition, the examiners reviewed eight automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

The examiners found three violations of § 38.2-2212 F of the Code of Virginia. The company failed to obtain a written request from the insured to cancel the policy.

### **Company-Initiated Nonrenewals – Private Passenger Automobile Policies**

The examiners reviewed five automobile nonrenewals that were initiated by the companies.

The examiners found no violations in this area.

**Company-Initiated Cancellations – Homeowner Policies**NOTICE MAILED PRIOR TO THE 90<sup>TH</sup> DAY OF COVERAGE

The examiners reviewed six homeowner cancellations that were initiated by the companies where the companies mailed the notices prior to the 90<sup>th</sup> day of coverage in the initial policy period.

The examiners found no violations in this area.

NOTICE MAILED AFTER THE 89<sup>TH</sup> DAY OF COVERAGE

In addition, the examiners reviewed one homeowner cancellation that was initiated by the companies where the companies mailed the notice on or after the 90<sup>th</sup> day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

The examiners found one violation of § 38.2-2114 A of the Code of Virginia. The company cancelled a policy insuring an owner-occupied dwelling after the 89<sup>th</sup> day of coverage due to a physical change in the structure without proper documentation of the change.

**All Other Cancellations – Homeowner Policies**NONPAYMENT OF PREMIUM

The examiners reviewed nine homeowner cancellations that were initiated by the companies for nonpayment of the policy premium.

The examiners found no violations in this area.

REQUESTED BY THE INSURED

In addition, the examiners reviewed eight homeowner cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

The examiners found six violations of § 38.2-2114 E of the Code of Virginia. The company failed to obtain a written request to cancel a policy insuring an owner-occupied dwelling.

### **Company-Initiated Nonrenewals – Homeowner Policies**

The examiners reviewed five homeowner nonrenewals that were initiated by the companies.

The examiners found one violation of § 38.2-2114 B of the Code of Virginia. The company failed to send the nonrenewal notice to the insured.

### **Commercial Automobile Policies**

The examiners reviewed five commercial automobile cancellations.

The examiners found no violations in this area.

## **CLAIMS REVIEW**

### **Private Passenger Automobile Claims**

The examiners reviewed 65 automobile claims for the period of January 1, 2018 through June 30, 2018. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$310 and underpayments totaling \$10,751.70. The net amount that should be paid to claimants is \$10,751.70 plus six percent (6%) simple interest.

- (1) The examiners found one violation of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found 18 violations of 14 VAC 5-400-40 A. The company failed to disclose all pertinent benefits, coverages, or provisions of an insurance policy to

the insured.

- a. In two instances, the company failed to fully disclose the physical damage deductible when the file indicated that the coverage was applicable to the loss.
- b. In 13 instances, the company failed to fully disclose the MEB coverage when the file indicated the coverage was applicable to the loss.
- c. In two instances, the company failed to fully disclose the Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
- d. In one instance, the company failed to fully disclose the benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage (UMPD) coverage and/or Underinsured Motorist (UIM) coverage when the file indicated the coverage was applicable to the loss.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found one violation of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within 15 calendar days to pertinent communications from a claimant or a claimant's authorized representative that reasonably suggested a response was expected.
- (4) The examiners found three violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
  - a. In one instance, the company failed to pay the proper sales and use tax,

title fee, and/or license fee on a first party total loss settlement.

- b. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.
- (5) The examiners found three violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company. The company failed to provide a copy of the repair estimate to the insured.
  - (6) The examiners found one violation of 14 VAC 5-400-80 E. The company failed to document all information relating to the application of betterment or depreciation in the claim file.
  - (7) The examiners found two violations of § 38.2-510 A 6 of the Code of Virginia. The company unreasonably delayed the settlement of a claim.
  - (8) The examiners found 11 violations of § 38.2-2201 D of the Code of Virginia.
    - (a) In six instances, the company failed to obtain a valid Assignment of Benefits (AOB) from an insured authorizing the company to make payments directly to the medical provider.
    - (b) In five instances, the company reduced the amount payable to an insured when MEB may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical, and similar or related benefits.

These findings occurred with such frequency as to indicate a general business practice.

- (9) The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy.



- a. In one instance, the company paid an insured more than the insured was entitled to receive under the terms of the policy.
- b. In three instances, the company failed to pay an Uninsured Motorist (UM) claim properly.
- c. In one instance, the company failed to issue payment under the correct coverage.

### **Homeowner Claims**

The examiners reviewed 44 homeowner claims for the period of January 1, 2018 through June 30, 2018. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$6,460.12 and underpayments totaling \$497.97. The net amount that should be paid to claimants is \$497.97 plus six percent (6%) simple interest.

- (1) The examiners found one violation of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found three violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim in writing, and/or failed to keep a copy of the written denial in the claim file.
- (3) The examiners found six violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
  - a. In one instance, the company failed to pay the entire claim under the insured's Dwelling Replacement Cost coverage.
  - b. In five instances, the company failed to pay the entire claim under the

insured's Additional Living Expense (ALE) coverage.

These findings occurred with such frequency as to indicate a general business practice.

- (4) The examiners found 11 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue. The company failed to properly represent the replacement cost provisions of the policy.

These findings occurred with such frequency as to indicate a general business practice.

- (5) The examiners found two occurrences where the company failed to comply with the provisions of the insurance policy. The company paid the insured more than the insured was entitled to receive under the terms of the policy.

### **Commercial Automobile Claims**

The examiners reviewed 25 commercial automobile claims for the period of January 1, 2018 through June 30, 2018. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found no overpayments and underpayments totaling \$1,275. The net amount that should be paid to claimants is \$1,275 plus six percent (6%) simple interest.

- (1) The examiners found three violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found three violations of 14 VAC 5-400-40 A. The company failed

to disclose all pertinent benefits, coverages, or provisions of an insurance policy to the insured.

- a. In two instances, the company failed to fully disclose the Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
- b. In one instance, the company failed to fully disclose the benefits or coverages, including rental benefits, available under the UMPD coverage and/or UIM coverage when the file indicated the coverage was applicable to the loss.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found one violation of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim in writing and/or failed to keep a copy of the written denial in the claim file.
- (4) The examiners found one violation of 14 VAC 5-400-70 D. The company failed to pay the claim in accordance with the policy provisions under the insured's Towing and Labor coverage.
- (5) The examiners found one violation of § 38.2-510 A 6 of the Code of Virginia. The company unreasonably delayed the settlement of a claim.
- (6) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company paid an insured more than the insured was entitled to receive under the terms of the policy.

#### **FORMS REVIEW**

The examiners reviewed the companies' policy forms and endorsements used during the examination period and those that are currently used for all of the lines of

business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the companies. In addition, the Bureau requested copies of new and renewal business policy mailings that the companies were processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance Process section of the Report. The examiners then reviewed the forms used on these policies to verify the companies' current practices.

### **Automobile Policy Forms**

#### POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 38 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found one violation of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one approved for use by the Bureau during the examination period.
- (2) The examiners found two violations of § 38.2-2220 of the Code of Virginia. The company failed to have available for use standard automobile forms filed and adopted by the Bureau.

#### POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

### **Homeowner Policy Forms**

#### POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 46 forms that were used during the examination

period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

#### POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

### **Commercial Automobile Policy Forms**

#### POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 161 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found one violation of § 38.2-2223 of the Code of Virginia. The company failed to file a broadening of the standard automobile form prior to use.

#### POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

### **POLICY ISSUANCE PROCESS REVIEW**

To obtain sample policies to review the companies' policy issuance process for the lines examined, the examiners requested new and renewal business policy mailings that were sent after the companies received the Examination Data Call. The companies were instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the companies enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

**Automobile Policies**

The company provided three new business policies sent to the insured on the following dates: July 5, 10, and 15, 2018. In addition, the company provided three renewal business policies sent on the following dates: July 5, 9, and 12, 2018.

**NEW BUSINESS POLICIES**

The examiners found no violations in this area.

**RENEWAL BUSINESS POLICIES**

The examiners found no violations in this area.

**Homeowner Policies**

The company provided three new business policies sent to the insured on the following dates: July 6, 7, and 21, 2018. In addition, the company provided three renewal business policies sent on the following dates: May 24, June 11 and 24, 2018.

**NEW BUSINESS POLICIES**

The examiners found two violations of § 38.2-2120 of the Code of Virginia. The company failed to provide the notice offering the insured the option of purchasing coverage for damage caused by water that backs up through sewers or drains.

**RENEWAL BUSINESS POLICIES**

The examiners found three violations of § 38.2-2120 of the Code of Virginia. The company failed to provide the notice offering the insured the option of purchasing coverage for damage caused by water that backs up through sewers or drains.

**Commercial Automobile Policies**

The company provided three new business policies sent to the insured on the following dates: July 7 and 13, and August 4, 2018. In addition, the company provided three renewal business policies sent on the following dates: May 8, 10, and 25, 2018.

NEW BUSINESS POLICIES

- (1) The examiners found three violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the Important Information Regarding Your Insurance notice.
- (2) The examiners found one violation of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide a copy of the new business application.
- (3) The examiners found three violations of § 38.2-2202 A of the Code of Virginia. The company failed to provide the MEB notice.
- (4) The examiners found three violations of § 38.2-2202 B of the Code of Virginia. The company failed to provide the UM Limits notice.

RENEWAL BUSINESS POLICIES

The examiners found three violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the Important Information Regarding Your Insurance notice.

STATUTORY NOTICES REVIEW

The examiners reviewed the companies' statutory notices used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the statutory notices used during the examination period for each line of business listed below, the Bureau requested copies from the companies. For those currently used, the Bureau used the same new and renewal business policy mailings that were previously described in the Review of the Policy Issuance Process section of the Report.

The examiners verified that the notices used by the companies on all applications, on all policies, and those special notices used for vehicle and property policies issued on risks located in Virginia complied with the Code of Virginia. The examiners also reviewed documents that were created by the companies but were not required by the Code of Virginia. These documents are addressed in the Other Notices category below.

### **General Statutory Notices**

- (1) The examiners found two violations of § 38.2-604 B of the Code of Virginia. The companies' Notice of Information Collection and Disclosure Practices did not include all of the information required by the statute.
- (2) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company's Adverse Underwriting Decision (AUD) notice did not include all of the information required by the statute.

### **Statutory Vehicle Notices**

- (1) The examiners found one violation of § 38.2-231 C of the Code of Virginia. The company failed to include the right to review by the Commissioner of Insurance in the Notice of Cancellation or Premium Increase for policies insuring a business entity.
- (2) The examiners found two violations of § 38.2-1905 A of the Code of Virginia. The company failed to include all of the information required by the statute in its Accident Point Surcharge notice.
- (3) The examiners found one violation of § 38.2-2234 A of the Code of Virginia. The company's Insurance Credit Score Disclosure notice did not include all of the information required by the statute.



**Statutory Property Notices**

- (1) The examiners found one violation of § 38.2-2118 of the Code of Virginia. The company's Replacement Cost Benefits notice did not include the coinsurance provisions required by the statute.
- (2) The examiners found one violation of § 38.2-2124 of the Code of Virginia. The company failed to have available an offer, in writing, as an option on a new or renewal policy of fire insurance, or fire insurance in combination with other coverages, a provision that the property will be repaired or replaced in accordance with applicable ordinances or laws that regulate construction, repair, or demolition.
- (3) The examiners found two violations of § 38.2-2126 A 1 of the Code of Virginia. The company's Insurance Credit Score Disclosure notice did not include all of the information required by the statute.

**Other Notices**

The companies provided copies of 28 other notices that were used during the examination period.

- (1) The examiners found ten violations of § 38.2-610 A of the Code of Virginia. The companies' AUD notice did not include all of the information required by the statute.
- (2) The examiners found one violation of § 38.2-2114 C of the Code of Virginia. The company's Notice of Nonrenewal failed to advise the insured of the right to request a review by the Commissioner of Insurance.

**LICENSING AND APPOINTMENT REVIEW**

A review was made of the private passenger automobile, commercial automobile, and homeowner new business policies to verify the agent/agency of record. In addition, the agent/agency to which each company paid commission for these new business

policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.

**Agency**

The examiners found no violations in this area.

**Agent**

- (1) The examiners found ten violations of § 38.2-1809 B of the Code of Virginia. The company failed to retain records relative to insurance transactions for three prior years.
- (2) The examiners found one violation of § 38.2-1822 A of the Code of Virginia. The company permitted an entity to act as an agent without first obtaining a license from the Commonwealth of Virginia.
- (3) The examiners found three violations of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of application.

**COMPLAINT-HANDLING PROCESS REVIEW**

A review was made of the companies' complaint handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found no violations in this area.

**PRIVACY AND INFORMATION SECURITY PROCEDURES REVIEW**

The Bureau requested a copy of the companies' Information Security Program that protects the privacy of policyholder information in accordance with § 38.2-613.2 of the Code of Virginia.

The companies provided their Information Security Procedures.

## **PART TWO – CORRECTIVE ACTION PLAN**

Business practices and the error tolerance guidelines are determined in accordance with the guidelines contained in the NAIC Market Regulation Handbook. A seven percent (7%) error criterion was applied to claims handling. Any error ratio above this threshold for claims indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent/agency licensing, the Bureau applies a zero-tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

### **General**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Provide a Corrective Action Plan (CAP) with their response to the Report.
- (2) Apply the corrective actions to all Travelers companies operating in Virginia.

### **Rating and Underwriting Review**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the attached file titled, "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges

- listed in the file.
- (4) Properly represent the premium charges in the policy, including declaration pages and forms.
  - (5) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts, surcharges, symbols, tier eligibility, base and/or final rates, IRPM factors, credit information, Rate Stabilization calculations, and Company Deviations.
  - (6) Update the insured's credit information at least once in a three-year period or when requested by the insured.

### **Termination Review**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Obtain written notice of cancellation from the insured as required by the insurance policy.
- (2) Provide a notice of cancellation to the insured.

### **Claims Review**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau the attached file titled, "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the

- companies acknowledge that they have paid the underpayments listed in the file.
- (4) Document claim files so that all events and dates pertinent to the claim can be reconstructed.
  - (5) Document the claim file that all applicable coverages have been fully disclosed to the insured. Particular attention should be given to the physical damage deductible, MEB coverage, rental benefits under UMPD, and Transportation Expenses coverage.
  - (6) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.
  - (7) Properly make payments under the MEB coverage without reduction and after obtaining a valid AOB pursuant to the statute.
- Properly represent pertinent facts or insurance provisions relating to the replacement cost provisions of the policy.

### **Forms Review**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) File broadenings to the standard automobile forms with the Bureau prior to use.
- (2) Use the required standard automobile forms filed and adopted by the Bureau.
- (3) Use the rate classification statement filed and approved by the Bureau.

**Policy Issuance Process Review**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Provide the offer to purchase coverage for damage caused by water that backs up through sewers or drains coverage up to the highest limit.
- (2) Provide the Important Information Regarding Your Insurance notice as required by the Code of Virginia.
- (3) Provide the MEB notice as required by the Code of Virginia.
- (4) Provide the UM Limits notice as required by the Code of Virginia.

**Statutory Notices Review**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.
- (2) Amend the language in the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 2015-07.
- (3) Amend the Notice of Cancellation and Reduction in Coverage or Premium Increase to include the right to review by the Commissioners as required by § 38.2-231 C 5 of the Code of Virginia.
- (4) Amend the Accident Point Surcharge notice to comply with § 38.2-1905 A of the Code of Virginia.
- (5) Amend the Insurance Credit Score Disclosure notice to comply with § 38.2-2126 A 1 and § 38.2-2234 A 1 of the Code of Virginia.
- (6) Amend the Replacement Cost notice to comply with § 38.2-2118 of the Code of Virginia.

- (7) Develop an Ordinance and Law notice to comply with § 38.2-2124 of the Code of Virginia.
- (8) Amend the Notice of Nonrenewal to include the right to review by the Commissioner of Insurance to comply with § 38.2-2114 C of the Code of Virginia.

### **Licensing and Appointment Review**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Retain records relative to insurance transactions for three prior years.
- (2) Only permit a person to act in the capacity of an agent who is licensed in Virginia.
- (3) Appoint agents within 30 days of the date of application.

## **PART THREE – RECOMMENDATIONS**

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies should carefully scrutinize these errors and correct the causes before these errors become business practices.

### **RECOMMENDATIONS**

We recommend that the companies take the following actions:

#### **Rating and Underwriting**

- Amend the “Your insurance score was impacted by...” statement on the Credit Adverse Action Notice to state the specific reasons for the action or delete the statement if no reasons are available. The current notice notifies the applicant or insured that he may request such information and provides a phone number, per § 38.2-2234 A 2 of the Code of Virginia.
- Amend Supplemental Rules – Rate Stabilization to state how the companies calculate the Rate Stabilization Factor.

#### **Termination**

- Remove the “Special Notice to Virginia Insureds” that only applies to automobile policies from the homeowner cancellation notice.
- Provide the complete policy file, including all underwriting, notes when initially requested by the Bureau.
- Amend the filed form and/or rule to waive the advance notice of cancellation requirement when the insured no longer owns any vehicles.

#### **Claims**

- Provide copies of vehicle repair estimates prepared by or on behalf of the company to insureds and claimants.
- Make payments to the insured for the amount he/she is entitled to receive under the terms of the policy.
- Make UM claim payments under the correct coverage properly.



- Send written denial letters and keep a copy in the claim file.

**Statutory Notices**

- Correct the out-of-state Bureau phone number on notices PL 50014 and PN T1 01 05 10.

**SUMMARY OF PREVIOUS EXAMINATION FINDINGS**

This is the first time the Virginia Bureau of Insurance has conducted an examination of Travelers Indemnity Company of America, TravCo Insurance Company and Travelers Personal Security Insurance Company.

**ACKNOWLEDGEMENT**

The courteous cooperation extended by the officers and employees of the companies during the course of the examination is gratefully acknowledged.

Sincerely,

A handwritten signature in black ink that reads "Andrea Baytop". The signature is written in a cursive style with a large initial 'A' and a stylized 'B'.

Andrea Baytop  
Principal Insurance Market Examiner

# COMMONWEALTH OF VIRGINIA



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STATE CORPORATION COMMISSION  
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September 24, 2019

## VIA E-MAIL DELIVERY

Lauri Wichtowski  
Compliance Director  
Travelers Group  
One Tower Square  
Hartford, CT 06183

RE: Market Conduct Examination  
The Travelers Indemnity Company of America, NAIC #25666  
TravCo Insurance Company, NAIC #28188  
Travelers Personal Security Insurance Company, NAIC #36145  
Examination Period: January 1, 2018 – June 30, 2018

Dear Ms. Wichtowski:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above-referenced companies for the period of January 1, 2018 – June 30, 2018. The preliminary examination report (Report) has been drafted for the companies' review.

Attached with this letter is a copy of the Report and copies of review sheets that have been added, withdrawn, or revised since July 24, 2019. Also attached are several technical reports that will provide you with the specific file references for the violations listed in the Report.

Since there appears to have been a number of violations of Virginia insurance laws on the part of the companies, I would urge you to closely review the Report. Please provide a written response. The companies do not need to respond to any particular item with which they agree. If the companies disagree with an item or wish to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the Report or modify a violation unless the companies provide written documentation to support their position. When the companies respond, please do not include any personal identifiable or privileged information (names, policy numbers, claim numbers, addresses, etc.). The companies should use exhibits or appendices to reference such information. In addition, please use the same format (headings and numbering) as found in the Report. If not, the response will be

returned to the companies to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report.

Secondly, the companies must provide a corrective action plan that addresses all of the issues identified in the examination, again using the same headings and numberings as are used in the Report.

Thirdly, if the companies have comments they wish to make regarding Part Three of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business practice, the companies should outline the actions they are taking to prevent those issues from becoming a business practice.

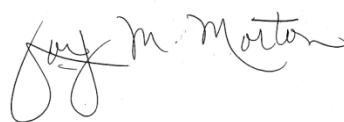
Finally, we have attached an Excel file that the companies must complete and return to the Bureau with their response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The companies' response and the spreadsheet mentioned above must be returned to the Bureau by October 29, 2019.

After the Bureau has received and reviewed the companies' response, we will make any justified revisions to the Report. The Bureau will then be in a position to determine the appropriate disposition of the market conduct examination.

We look forward to your reply by October 29, 2019.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is written in a cursive style with a large, stylized initial "J".

Joy Morton, AMCM  
Manager  
Market Conduct Section  
Property & Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

JMM/pgh  
Attachments



**Lauri Wichtowski**  
*Compliance Director*  
*Corporate Compliance & Market Regulation*  
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October 29, 2019

Joy Morton, AMCM  
Manager  
Market Conduct Section  
Property & Casualty Division  
1300 E. Main Street  
Richmond, VA 23218

RE: Market Conduct Examination  
The Travelers Indemnity Company of America, NAIC #25666  
TravCo Insurance Company, NAIC #28188  
Travelers Personal Security Insurance Company, NAIC #36145  
Examination Period: January 1, 2018 – June 30, 2018

Dear Ms. Morton,

As instructed in your September 24, 2019 letter, Travelers is providing our response to the preliminary examination report.

The attached includes our preliminary report response and exhibits, corrective action plan, and restitution spreadsheet.

We would like to thank you and the exam team for your professionalism and cooperation throughout the exam.

I look forward to your reply to the attached response. Please do not hesitate to contact me should you have any questions or require additional documentation.

Travelers is providing this information in response to your Market Regulatory Activity request. Pursuant to the applicable portions of Virginia law, including but not limited to, Va. Code § 38.2-221.1, Va. Code § 38.2-1317.2, Va. Code § 38.2-1320.5, and Va. Code §§ 2.2-3700 et seq., Travelers considers the information it is providing to be proprietary and confidential and not open to the public for inspection, copying, photographing or any other type of reproduction. If the Bureau of Insurance is required by law to release the data provided, in whole or in part, as the result of a third-party request or for any other reason, Travelers respectfully requests that the Bureau of Insurance provide Travelers with reasonable advance notice so that it may seek an appropriate protective order.

Sincerely,

*Lauri Wichtowski*

Lauri Wichtowski

## PART ONE – THE EXAMINERS' OBSERVATIONS

### **Commercial Automobile Renewal Business Policies (page 12 of the preliminary report)**

The examiners reviewed 20 renewal business policy files. During this review, the examiners found overcharges totaling \$39 and undercharges totaling \$1,004. The net amount that should be refunded to insureds is \$39 plus six percent (6%) simple interest.

**COMPANY RESPONSE: The overcharge total of \$39 is incorrect. The correct amount is \$51; both entries in this paragraph should be changed to reflect this. The difference is based on the examiner's final response to review sheet R&URBCA-541809202 (for RCA018), dated 4/3/19, indicating an overcharge of \$16 was owed to the insured. Travelers acknowledged the review sheet and the overcharge of \$16 on 4/8/18; this amount, plus interest, has been returned. An earlier version of the review sheet, dated 1/30/19, lists a \$4 overcharge. Please see Exhibit 1, in the attached, which shows the correction to this paragraph. The exhibit also includes a correction to the Renewal Business Rating and Underwriting Overcharge/Undercharge Report for Commercial Auto (page 1 of 3) that was included with the preliminary report. The return amount and interest listed for RCA018 in the restitution spreadsheet has also been updated. A notation has been added within column M to explain the change.**

### **CLAIMS REVIEW**

#### **Private Passenger Automobile Claims (page 18 of the preliminary report)**

- (8) The examiners found 13 violations of § 38.2-2201 D of the Code of Virginia.
- (b) In eight instances, the company reduced the amount payable to an insured when MEB may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.

**COMPANY RESPONSE: There were 6 cases where we disagreed. The reference #'s are listed on the Restitution Worksheet: CPA001, CPA006, CPA008, CPA019, CPA030 and CPA046. Please see Exhibit 2, for Travelers rationale and position on these cases.**

**Homeowner Claims (page 20 & 21 of the preliminary report)**

(3) The examiners found six violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.

b. In five instances, the company failed to pay the entire claim under the insured's Additional Living Expense (ALE) coverage.

**COMPANY RESPONSE: In one instance, CHO0009 was withdrawn on 4/10/2019, per the review sheet. See Exhibit 3 – Review sheet withdrawn.**

**Commercial Automobile Policies (page 24 & 25 of the preliminary report)**

The companies provided three new business policies sent to the insured on the following dates: July 7 and 13 and August 4, 2018. In addition, the companies provided three renewal business policies sent on the following dates: May 8, 10, and 25, 2018.

NEW BUSINESS POLICIES

(1) The examiners found three violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the Important Information Regarding Your Insurance notice as required by the Code of Virginia.

**COMPANY RESPONSE: Throughout the exam Travelers has respectfully disagreed that we violated § 38.2-305 B by failing to provide the Important Information Regarding Your Insurance notice to the policyholders on the three new business policies examined. Travelers demonstrated that Policyholder Notice with the information required by the above statute was included in the policy package mailed to the insured. An affidavit from the Custodian of Records for Travelers certifying that the information was provided to the insured has been provided to the Bureau. The affidavit also explained that the digital copy of the policies, provided to the Bureau for review as PDF documents during the exam, included a Policyholder Notice section ("PHN") that was inadvertently "locked" when the PDF was produced. This meant that the PHN section and the individual PHN numbers included with the policy can still be seen within the PDF bookmarks, but the notices themselves cannot be accessed, viewed, or printed. At the time of providing electronic copies of the documents,**

Travelers did believe that a complete electronic copy of the policy, with all the pages available for viewing, had been provided. We acknowledge that the policyholder notice section of the PDF policy copies provided to the examiners were inadvertently locked at the time the notices were sent to the examiners, resulting in the examiner's inability to access the policyholder notices seen within the bookmarks. We also acknowledge that this has resulted in our inadvertent failure to initially provide the examiners with readable policyholder notices for the policy issuance review, potentially resulting in a violation of § 38.2-1318 for not providing convenient access to the files, documents and records relating to the examination. However, Travelers contests that this means that we failed to provide these notices to the insured.

- (3) The examiners found three violations of § 38.2-2202 A of the Code of Virginia. The company failed to provide the MEB notice.

**COMPANY RESPONSE:** Throughout the exam Travelers has respectfully disagreed that we violated § 38.2-2202 A by failing to provide the MEB notice to the policyholders on the three new business policies examined. Travelers demonstrated that Policyholder Notices with the information required by the above statutes were included in the policy package mailed to the insured. An affidavit from the Custodian of Records for Travelers certifying that the information was provided to the insured has been provided to the Bureau. The affidavit also explained that the digital copy of the policies, provided to the Bureau for review as PDF documents during the exam, included a Policyholder Notice section ("PHN") that was inadvertently "locked" when the PDF was produced. This meant that the PHN section and the individual PHN numbers included with the policy can still be seen within the PDF bookmarks, but the notices themselves cannot be accessed, viewed, or printed. At the time of providing electronic copies of the documents, Travelers did believe that a complete electronic copy of the policy, with all the pages available for viewing, had been provided. We acknowledge that the policyholder notice section of the PDF policy copies provided to the examiners were inadvertently locked at the time the notices were sent to the examiners, resulting in the examiner's inability to access the policyholder notices seen within the bookmarks. We also acknowledge that this has resulted in our inadvertent failure to initially provide the examiners with readable policyholder notices for the policy issuance review, potentially resulting in a violation of § 38.2-1318 for not providing convenient access to the files, documents and records relating to the examination. However, Travelers contests that this means that we failed to provide these notices to the insured.

- (4) The examiners found three violations of § 38.2-2202 B of the Code of Virginia. The company failed to provide the Uninsured Motorist Limits notice.

**COMPANY RESPONSE:** Throughout the exam Travelers has respectfully



disagreed that we violated § 38.2-2202 B by failing to provide the Uninsured Motorist Limits notice to the policyholders on the three new business policies examined. Travelers demonstrated that Policyholder Notices with the information required by the above statutes were included in the policy package mailed to the insured. An affidavit from the Custodian of Records for Travelers certifying that the information was provided to the insured has been provided to the Bureau. The affidavit also explained that the digital copy of the policies, provided to the Bureau for review as PDF documents during the exam, included a Policyholder Notice section (“PHN”) that was inadvertently “locked” when the PDF was produced. This meant that the PHN section and the individual PHN numbers included with the policy can still be seen within the PDF bookmarks, but the notices themselves cannot be accessed, viewed, or printed. At the time of providing electronic copies of the documents, Travelers did believe that a complete electronic copy of the policy, with all the pages available for viewing, had been provided. We acknowledge that the policyholder notice section of the PDF policy copies provided to the examiners were inadvertently locked at the time the notices were sent to the examiners, resulting in the examiner’s inability to access the policyholder notices seen within the bookmarks. We also acknowledge that this has resulted in our inadvertent failure to initially provide the examiners with readable policyholder notices for the policy issuance review, potentially resulting in a violation of § 38.2-1318 for not providing convenient access to the files, documents and records relating to the examination. However, Travelers contests that this means that we failed to provide these notices to the insured.

#### RENEWAL BUSINESS POLICIES

The examiners found three violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the Important Information Regarding Your Insurance notice.

**COMPANY RESPONSE:** Throughout the exam Travelers has respectfully disagreed that we violated § 38.2-305 B by failing to provide the Important Information Regarding Your Insurance notice to the policyholders on the three renewal business policies examined. Travelers demonstrated that a Policyholder Notice with the information required by the above statute was included in the policy package mailed to the insured. An affidavit from the Custodian of Records for Travelers certifying that the information was provided to the insured has been provided to the Bureau. The affidavit also explained that the digital copy of the policies, provided to the Bureau for review as PDF documents during the exam, included a Policyholder Notice section (“PHN”) that was inadvertently “locked” when the PDF was produced. This meant that the PHN section and the individual PHN numbers included with the policy can still be seen within the PDF bookmarks, but the notices themselves cannot be accessed, viewed, or printed. At the time of providing electronic copies of the documents, Travelers did believe that a complete electronic copy of the policy, with all the pages available for

viewing, had been provided. We acknowledge that the policyholder notice section of the PDF policy copy provided to the examiners was inadvertently locked at the time the notices were sent to the examiners, resulting in the examiner's inability to access the policyholder notices seen within the bookmarks. We also acknowledge that this has resulted in our inadvertent failure to initially provide the examiners with a readable policyholder notice for the policy issuance review, potentially resulting in a violation of § 38.2-1318 for not providing convenient access to the files, documents and records relating to the examination. However, Travelers contests that this means that we failed to provide these notices to the insured.

**Statutory Property Notices (page 26 of the preliminary report)**

- (1) The examiners found one violation of § 38.2-2118 of the Code of Virginia. The companies' Replacement Cost Benefits notice incorrectly stated the insured had 180 days to make a replacement cost claim instead of six months.

**COMPANY RESPONSE:** Per our conversation of 10/21/2019, we are addressing the issue as cited in the review sheet.

## PART TWO – CORRECTIVE ACTION PLAN

### Rating and Underwriting Review (page 29 & 30 of preliminary report)

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.

**COMPANY RESPONSE for Travelers Indemnity Company of America: The identified errors that caused overcharges and undercharges on the Commercial Automobile policies reviewed by the Bureau have been corrected.**

**COMPANY RESPONSE for Travco Insurance Company and Travelers Personal Security Insurance Company: The identified errors that caused overcharges and undercharges on the policies reviewed by the Bureau will be corrected. Refunds, including 6% simple interest, will be applied. The refunds will be added to the restitution spreadsheet provided by the Bureau. The rules and rates on file with the Bureau will be utilized. Travelers will properly display the premium charges within the policies. Additionally, Travelers will update the insured's credit information at least once in a three-year period or when requested by the insured within the Personal Lines Automobile policies.**

- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.

**COMPANY RESPONSE for Travelers Indemnity Company of America: Refunds, including 6% simple interest, have been completed.**

**COMPANY RESPONSE for Travco Insurance Company and Travelers Personal Security Insurance Company: Refunds, including 6% simple interest, will be applied.**

- (3) Complete and submit to the Bureau the attached file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the

companies acknowledge that they have refunded or credited the overcharges listed in the file.

**COMPANY RESPONSE for Travelers Indemnity Company of America: Refunds, including 6% simple interest, have been completed. The refunds have been added to the restitution spreadsheet provided by the Bureau.**

**COMPANY RESPONSE for Travco Insurance Company and Travelers Personal Security Insurance Company: The refunds will be added to the restitution spreadsheet provided by the Bureau.**

- (4) Properly represent the premium charges in the policy, including declaration pages and forms.

**COMPANY RESPONSE for Travelers Indemnity Company of America: Corrective actions have been undertaken to properly display the premium charges within the Commercial Automobile policy.**

**COMPANY RESPONSE for Travco Insurance Company and Travelers Personal Security Insurance Company: Travelers will properly display the premium charges within the Personal Lines Automobile policies.**

- (5) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts, surcharges, symbols, tier eligibility, base and/or final rates, IRPM factors, credit information, Rate Stabilization calculations, and Company Deviations.

**COMPANY RESPONSE for Travelers Indemnity Company of America: The Company has submitted filings to the Bureau that address the application of modifications to Towing coverage. Additionally, individual errors identified during the exam have been discussed with the file handlers who made them, so the same errors do not occur going forward.**

**COMPANY RESPONSE for Travelers Personal Security Insurance Company: The rules and rates on file with the Bureau will be utilized.**

- (6) Update the insured's credit information at least once in a three-year period or when requested by the insured.

**COMPANY RESPONSE for Travelers Personal Security Insurance Company: Travelers will update the insured's credit information at least once in a three-year period or when requested by the insured within the Personal Lines Automobile policies.**

**Termination Review (page 30 of preliminary report)**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Obtain written notice of cancellation from the insured as required by the insurance policy.

**COMPANY RESPONSE for TravCo Insurance Company and Travelers Personal Security Insurance Company: Policy language will be revised to indicate we will accept a verbal cancellation request from the insured.**

- (2) Provide a notice of cancellation to the insured.

**COMPANY RESPONSE for TravCo Insurance Company and Travelers Personal Security Insurance Company: Travelers will provide a notice of cancellation to the insured.**

**Claims Review (page 30 & 31 of preliminary report)**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.

**COMPANY RESPONSE: Please see Restitution worksheet.  
For Property – CHO0009 was withdrawn 4/10/2019 per the review sheet.**

- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.

**COMPANY RESPONSE: Please see Restitution worksheet.**

- (3) Complete and submit to the Bureau the attached file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the

companies acknowledge that they have paid the underpayments listed in the file.

**COMPANY RESPONSE: Please see Restitution worksheet.**

- (4) Document claim files so that all events and dates pertinent to the claim can be reconstructed.

**COMPANY RESPONSE: Refresher training on claim file documentation will be completed by year end.**

- (5) Document the claim file that all applicable coverages have been fully disclosed to the insured. Particular attention should be given to the physical damage deductible, MEB coverage, rental benefits under UMPD, Transportation Expenses coverage, and ALE coverage.

**COMPANY RESPONSE: Refresher training on claim file documentation regarding applicable coverages, consideration of expenses related to repairs, discussing/offering the coverage to the customer, MEB, rental benefits under UMPD, Transportation Expenses will be completed by year end.**

- (6) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.

**COMPANY RESPONSE: Refresher training on offering the insured an amount that is fair and reasonable will be completed by year end.**

- (7) Properly make payments under the MEB coverage without reduction and after obtaining a valid AOB pursuant to the statute.

**COMPANY RESPONSE: The company will train the MEB handlers on identifying proper Assignment of Benefits and documenting whether injured parties have health insurance before the end of the year.**

- (8) Properly represent pertinent facts or insurance provisions relating to the replacement cost provisions of the policy.

**COMPANY RESPONSE: Update the settlement letters to include appropriate policy timeframes to notify us of intent to recover depreciation. System changes scheduled for 11/17/2019.**

#### **Forms Review (page 31 & 32 of preliminary report)**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Use the automobile forms filed as broadenings in the precise language filed and

approved by the Bureau.

**COMPANY RESPONSE for Travelers Indemnity Company of America: The filed and approved version of the identified Virginia Commercial Automobile form (CA F0 19 08 17), with the precise language required by the Bureau, has been implemented.**

- (2) Use the required standard automobile forms filed and adopted by the Bureau.

**COMPANY RESPONSE for Travelers Personal Security Insurance Company: Travelers will use the required standard automobile forms.**

- (3) Use the rate classification statement filed and approved by the Bureau.

**COMPANY RESPONSE for Travelers Personal Security Insurance Company: Travelers will use the rate classification statement filed and adopted by the Bureau.**

- (4) Use broadenings to standard automobile forms in the precise language as approved by the Bureau.

**COMPANY RESPONSE for Travelers Indemnity Company of America: The filed and approved version of the identified Virginia Commercial Automobile form (CA F0 19 08 17), with the precise language required by the Bureau, has been implemented.**

#### **Policy Issuance Process Review (page 32 of preliminary report)**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Provide the offer to purchase coverage for damage caused by water that backs up through sewers or drains coverage up to the highest limit.

**COMPANY RESPONSE for TravCo Insurance Company: Travelers will provide the offer to purchase coverage for damage caused by water back up through sewers or drains coverage up to the highest limit.**

- (2) Provide the Important Information Regarding Your Insurance notice as required by the Code of Virginia.

**COMPANY RESPONSE for Travelers Indemnity Company of America: Travelers has confirmed that Policyholder Notices that provide the**

information required by § 38.2-305 B, § 38.2-2202 A, and § 38.2-2202 B are properly included in the new business and renewal business Commercial Automobile policy packages mailed to Virginia insureds.

- (3) Provide the MEB notice as required by the Code of Virginia.

**COMPANY RESPONSE for Travelers Indemnity Company of America:** Travelers has confirmed that Policyholder Notices that provide the information required by § 38.2-305 B, § 38.2-2202 A, and § 38.2-2202 B are properly included in the new business and renewal business Commercial Automobile policy packages mailed to Virginia insureds.

- (4) Provide the Uninsured Motorist Limits notice as required by the Code of Virginia.

**COMPANY RESPONSE for Travelers Indemnity Company of America:** Travelers has confirmed that Policyholder Notices that provide the information required by § 38.2-305 B, § 38.2-2202 A, and § 38.2-2202 B are properly included in the new business and renewal business Commercial Automobile policy packages mailed to Virginia insureds.

#### **Statutory Notices Review (page 32 & 33 of preliminary report)**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.

**COMPANY RESPONSE for TravCo Insurance Company and Travelers Personal Security Insurance Company:** Travelers will amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.

- (2) Amend the language in the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 2015-07.

**COMPANY RESPONSE for TravCo Insurance Company and Travelers Personal Security Insurance Company:** Travelers will amend the language in the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 2015-07.

- (3) Amend the Notice of Cancellation and Reduction in Coverage or Premium Increase to include the right to review by the Commissioners as required by



§ 38.2-231 of the Code of Virginia.

**COMPANY RESPONSE for Travelers Indemnity Company of America: The tool that is used to generate the Notice of Cancellation and Reduction in Coverage or Premium Increase has been updated. When the State of Virginia is selected, *the right to review by the Commissioner* language required by § 38.2-231 of the Code of Virginia is added to the notice.**

- (4) Amend the Accident Point Surcharge notice to comply with § 38.2-1905 A of the Code of Virginia.

**COMPANY RESPONSE for TravCo Insurance Company and Travelers Personal Security Insurance Company: Travelers will amend the Accident Point Surcharge notice to comply with § 38.2-1905 A of the Code of Virginia.**

- (5) Amend the Insurance Credit Score Disclosure notice to comply with § 38.2-2126 A and § 38.2-2234 A 1 of the Code of Virginia.

**COMPANY RESPONSE for TravCo Insurance Company and Travelers Personal Security Insurance Company: Travelers will amend the Insurance Credit Score Disclosure notice to comply with § 38.2-2126 A and § 38.2-2234 A 1 of the Code of Virginia.**

- (6) Amend the Replacement Cost notice to comply with § 38.2-2118 of the Code of Virginia.

**COMPANY RESPONSE for TravCo Insurance Company and Travelers Personal Security Insurance Company: Travelers will amend the Replacement Cost notice to comply with § 38.2-2118 of the Code of Virginia.**

- (7) Develop an Ordinance and Law notice to comply with § 38.2-2124 of the Code of Virginia.

**COMPANY RESPONSE for TravCo Insurance Company and Travelers Personal Security Insurance Company: Travelers will develop an Ordinance and Law notice to comply with § 38.2-2124 of the Code of Virginia.**

- (8) Amend the Notice of Cancellation to include the right to review by the Commissioner of Insurance to comply with § 38.2-2114 C of the Code of Virginia.

**COMPANY RESPONSE for TravCo Insurance Company and Travelers Personal Security Insurance Company: Travelers will amend the Notice of Cancellation to include *the right to review by the Commissioner* language to comply with § 38.2-2114 C of the Code of Virginia.**

**Licensing and Appointment Review (page 33 of preliminary report)**

Travelers Indemnity Company of America,  
TravCo Insurance Company, and  
Travelers Personal Security Insurance Company shall:

- (1) Retain records relative to insurance transactions for three prior years.

**COMPANY RESPONSE for Travelers Indemnity Company of America: Travelers Indemnity Company of America has reminded the agency that produced the Commercial Automobile policy that they must complete and retain records relative to insurance transactions for three prior years.**

- (2) Only permit a person to act in the capacity of an agent who is licensed in Virginia.

**COMPANY RESPONSE for TravCo Insurance Company and Travelers Personal Security Insurance Company: The policy is still in force and should the insured require service, they will be referred to a licensed Travelers representative.**

- (3) Appoint agents within 30 days of the date of application.

**COMPANY RESPONSE for TravCo Insurance Company and Travelers Personal Security Insurance Company: It is our practice to ensure that agents are properly appointed within 30 days of the date of application. For the items identified in the criticisms, two of the policies are no longer active. We took corrective action for the active policy and appointed the agent on 6/5/2018.**

### **PART THREE –RECOMMENDATIONS**

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies should carefully scrutinize these errors and correct the causes before these errors become business practices.

#### **Recommendations (beginning on page 34 of the preliminary report)**

We recommend that the companies take the following actions:

**Travelers acknowledges the Bureau’s recommendations below and we will take them under advisement.**

#### **Rating and Underwriting**

- Amend the “Your insurance score was impacted by...” statement on the Credit Adverse Action Notice to state the specific reasons for the action or delete the statement if no reasons are available. The current notice notifies the applicant or insured that he may request such information and provides a phone number, per § 38.2-2234 A 2 of the Code of Virginia.
- Amend Supplemental Rules – Rate Stabilization to state how the companies calculate the Rate Stabilization Factor.

#### **Termination**

- Remove the “Special Notice to Virginia Insureds” that only applies to automobile policies from the homeowner cancellation notice.
- Provide the complete policy file, including all underwriting, notes when initially requested by the Bureau.
- Amend the filed form and/or rule to waive the advance notice requirement if the insured does not have any vehicles.

#### **Claims**

- Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within 15 business days.

- Provide copies of vehicle repair estimates prepared by or on behalf of the company to insureds and claimants.
- Document all information relating to the application of betterment or depreciation in the claim file.
- Make a prompt, fair, and equitable settlement of a claim in which liability is reasonably clear.
- Make payments to the insured for the amount he/she is entitled to receive under the terms of the policy.
- Include the fraud statement on all claim forms required by the companies as a condition of payment.
- Make claim payments under the correct coverage.

#### **Statutory Notices**

- Correct the out-of-state Bureau phone number on notices PL 50014 and PN T1 01 05 10.

# COMMONWEALTH OF VIRGINIA



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January 27, 2020

## VIA E-MAIL

Ms. Lauri Wichtowski  
Compliance Director  
Travelers Group  
One Tower Square  
Hartford, Connecticut 06183

RE: Market Conduct Examination  
Travelers Indemnity Company of America, NAIC #25666  
TravCo Insurance Company, NAIC #28188  
Travelers Personal Security Insurance Company, NAIC #36145  
Examination Period: January 1, 2018 – June 30, 2018

Dear Ms. Wichtowski:

The Bureau of Insurance (Bureau) has reviewed the October 29, 2019 response to the Preliminary Market Conduct Report (Report) of the above-referenced Companies. The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

## PART ONE – EXAMINERS' OBSERVATIONS

### Private Passenger Automobile New Business Rating Review

- (d) After further review, the violation for RPA054 has been withdrawn from the Report. This violation is now included in review sheet R&UNBPPA1545162564.

### Commercial Automobile Renewal Business Rating Review

The overcharge for RCA018 has been amended to \$16. The Report has been updated to reflect a total overcharge of \$51.

### **Private Passenger Automobile Claims Review**

The underpayment for CPA042 changed to \$46.16. The Company owes the insured \$2.77 (6% interest). The Report has been updated to reflect this change.

- (8a) A violation for CPA019 has been added to the Report. The Company responded in Exhibit 2 – Restitution Worksheet that it paid the hospital bill to the insured. However, the payment details in the claim file indicate that the Company made a payment for \$2,592.60 to Stafford Hospital without a valid Assignment of Benefits (AOB). The Company owes the insured \$2,592.60.

The violation for CPA046 remains in the Report. The Company responded to this violation in Item (8b); however, this violation involves the Company making payments directly to the medical provider without a valid Assignment of Benefits. The Restitution Spreadsheet indicates that the Company paid \$1,489.60 to the insured on February 22, 2019, instead of the \$1,974.67 (\$1,862.90 + \$111.77 6% interest) listed on the spreadsheet. The Company has not explained why it should only pay \$1,489.60. The Company owes the insured \$485.07.

- (8b) After further review, the violations for CPA006, CPA019, and CPA030 have been withdrawn from the Report.

The violations for CPA001 and CPA008 remain in the Report. The Company cannot reprice medical bills lower than the insureds' health care provider. The claim files indicated that both insureds have health care coverage, but the files do not include explanation of benefits (EOBs) from those health care insurers as evidence of the negotiated rate the health care carrier has with the provider. Please see § 8.01-27.5 B of the Code of Virginia for additional requirements, for providers to submit bills to the health carrier within 21 days or forfeit the ability to be paid.

The violation for CPA046 is addressed in Item (8a).

### **Homeowner Claims Review**

The underpayment for CHO009 has been removed since there is not a corresponding violation in item (3b). The Report has been updated to reflect a total underpayment of \$497.97.

### **Commercial Automobile Policy Issuance New Policies**

- (1) The violations for MCA001, MCA002 and MCA003 remain in the Report. The policy issuance section of the examination is the Bureau's way of verifying that the Company is currently sending all of the required forms and notices at the appropriate time with all new business and renewal business policy packets mailed to the insureds. The Bureau goes into great detail in the Data Call Manual and the subsequent Data Call Conference Call to explain that this is one of the areas of the examination that the Company will not be able to submit additional documents after receiving violations. It is explained that the Company controls what is sent to the Bureau for review and have the ability to verify that all of the required documents are

sent to the Bureau. Sending the documents to the Bureau after receiving violations is not acceptable.

- (3) The violations for MCA001, MCA002 and MCA003 remain in the Report. The policy issuance section of the examination is the Bureau's way of verifying that the Company is currently sending all of the required forms and notices at the appropriate time with all new business and renewal business policy packets mailed to the insureds. The Bureau goes into great detail in the Data Call Manual and the subsequent Data Call Conference Call to explain that this is one of the areas of the examination that the Company will not be able to submit additional documents after receiving violations. It is explained that the Company controls what is sent to the Bureau for review and have the ability to verify that all of the required documents are sent to the Bureau. Sending the documents to the Bureau after receiving violations is not acceptable.
- (4) The violations for MCA001, MCA002 and MCA003 remain in the Report. The policy issuance section of the examination is the Bureau's way of verifying that the Company is currently sending all of the required forms and notices at the appropriate time with all new business and renewal business policy packets mailed to the insureds. The Bureau goes into great detail in the Data Call Manual and the subsequent Data Call Conference Call to explain that this is one of the areas of the examination that the Company will not be able to submit additional documents after receiving violations. It is explained that the Company controls what is sent to the Bureau for review and have the ability to verify that all of the required documents are sent to the Bureau. Sending the documents to the Bureau after receiving violations is not acceptable.

#### **Commercial Automobile Policy Issuance Renewal Policies**

The violations for MCA004, MCA005 and MCA006 remain in the Report. The policy issuance section of the examination is the Bureau's way of verifying that the Company is currently sending all of the required forms and notices at the appropriate time with all new business and renewal business policy packets mailed to the insureds. The Bureau goes into great detail in the Data Call Manual and the subsequent Data Call Conference Call to explain that this is one of the areas of the examination that the Company will not be able to submit additional documents after receiving violations. It is explained that the Company controls what is sent to the Bureau for review and have the ability to verify that all of the required documents are sent to the Bureau. Sending the documents to the Bureau after receiving violations is not acceptable.

### **PART TWO – CORRECTIVE ACTION PLAN**

#### **General**

- (2) This item has been revised to state the corrective actions should be applied to all Travelers' companies operating in Virginia.

### Rating and Underwriting Review

- (1) The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet.
- (4) Please provide a copy of a corrected declarations page and/or endorsement showing Drive Other Car coverage premium.

### Claims Review

- (1) The restitution for CHO009 has been removed from the Restitution Spreadsheet. The Company adjusted the amounts on the Restitution Spreadsheet for CHO003, CHO030, CHO031, CHO038, and CHO039. Please provide documentation that supports the restitution payments made to the insureds.
- (3) The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet.

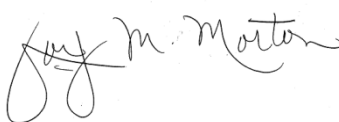
### Statutory Notices Review

- (1-8) Please provide a copy of the revised notices that have been amended to comply with the respective statutes. Furthermore, please provide evidence that the tool used to generate the Notice of Cancellation and Reduction in Coverage of Premium Increase has been updated pursuant to the Companies' response to item (3).

We have made the changes noted above to the Market Conduct Examination Report. Attached with this letter is a revised version of the Report, technical reports, Restitution Spreadsheet, and any review sheets withdrawn, added, or altered as a result of this review. The Companies' response to this letter is due in the Bureau's office by February 24, 2020.

Once we have received and reviewed the Companies' responses to these items, we will be in a position to make a settlement offer. We look forward to your response by February 24, 2020.

Sincerely,



Joy M. Morton  
Manager  
Market Conduct Section  
Property and Casualty Division  
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[wichtow@travelers.com](mailto:wichtow@travelers.com) E-MAIL

**VIA E-MAIL**

February 24, 2020

Joy Morton, AMCM  
Manager  
Market Conduct Section  
Property & Casualty Division  
1300 E. Main Street  
Richmond, VA 23218

RE: Market Conduct Examination  
The Travelers Indemnity Company of America, NAIC #25666  
TravCo Insurance Company, NAIC #28188  
Travelers Personal Security Insurance Company, NAIC #36145  
Examination Period: January 1, 2018 – June 30, 2018

Dear Ms. Morton,

As instructed in your January 27, 2020 letter, Travelers is providing our response to the revised examination report. Our response follows the format of the report.

Attached with this letter are *Exhibits* which correspond to our responses below, as well as our revised *Restitution Spreadsheet*.

**PART ONE – EXAMINERS’ OBSERVATIONS**

**Private Passenger Automobile New Business Rating Review**

- (d) After further review, the violation for RPA054 has been withdrawn from the Report. This violation is now included in review sheet R&UNBPPA1545162564.

**COMPANY RESPONSE: Acknowledged.**

**Private Passenger Automobile Claims Review**

The underpayment for CPA042 changed to \$46.16. The Company owes the insured \$2.77 (6% interest). The Report has been updated to reflect this change.

**COMPANY RESPONSE: Payment of \$2.77 issued. Please see *Restitution Spreadsheet line #11, column M.***

- (8a) A violation for CPA019 has been added to the Report. The Company responded in Exhibit 2 – Restitution Worksheet that it paid the hospital bill to the insured. However, the payment details in the claim file indicate that the Company made a payment for \$2,592.60 to Stafford Hospital without a valid Assignment of Benefits (AOB). The Company owes the insured \$2,592.60.

**COMPANY RESPONSE: Payment of \$2,592.60 and \$155.56 (interest) issued. Please see *Restitution Spreadsheet line # 5.***

The violation for CPA046 remains in the Report. The Company responded to this violation in Item (8b); however, this violation involves the Company making payments directly to the medical provider without a valid Assignment of Benefits. The Restitution Spreadsheet indicates that the Company paid \$1,489.60 to the insured on February 22, 2019, instead of the \$1,974.67 (\$1,862.90 + \$111.77 6% interest) listed on the spreadsheet. The Company has not explained why it should only pay \$1,489.60. The Company owes the insured \$485.07.

**COMPANY RESPONSE: Payment of \$485.07 issued. Please see *Restitution Spreadsheet line #14, column M.***

- (8b) After further review, the violations for CPA006, CPA019, and CPA030 have been withdrawn from the Report.

**COMPANY RESPONSE: Acknowledged.**

The violations for CPA001 and CPA008 remain in the Report. The Company cannot reprice medical bills lower than the insureds' health care provider. The claim files indicated that both insureds have health care coverage, but the files do not include explanation of benefits (EOBs) from those health care insurers as evidence of the negotiated rate the health care carrier has with the provider. Please see § 8.01-27.5 B of the Code of Virginia for additional requirements, for providers to submit bills to the health carrier within 21 days or forfeit the ability to be paid.

**COMPANY RESPONSE:**

**CPA001: Payment of \$183.43 issued. Please see *Restitution Spreadsheet* line # 3.**  
**CPA008: Payment of \$ \$1,019.92 issued. Please see *Restitution Spreadsheet* line # 4.**

The violation for CPA046 is addressed in Item (8a).

**COMPANY RESPONSE: Acknowledged.**

**Homeowner Claims Review**

The underpayment for CHO009 has been removed since there is not a corresponding violation in item (3b). The Report has been updated to reflect a total underpayment of \$497.97.

**COMPANY RESPONSE: Acknowledged.**

**PART TWO – CORRECTIVE ACTION PLAN**

**General**

- (2) This item has been revised to state the corrective actions should be applied to all Travelers' companies operating in Virginia.

**COMPANY RESPONSE: Acknowledged.**

**Rating and Underwriting Review**

- (1) The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet.

**COMPANY RESPONSE: Please see attached *Restitution Spreadsheet*.**

- (4) Please provide a copy of a corrected declarations page and/or endorsement showing Drive Other Car coverage premium.

**COMPANY RESPONSE:** Please see *EXHIBIT #1: CAP – Rating and Underwriting Review (Item 4)*.

#### Claims Review

- (1) The restitution for CHO009 has been removed from the Restitution Spreadsheet.

**COMPANY RESPONSE:** Acknowledged.

The Company adjusted the amounts on the Restitution Spreadsheet for CHO003, CHO030, CHO031, CHO038, and CHO039. Please provide documentation that supports the restitution payments made to the insureds.

**COMPANY RESPONSE:** Please see *EXHIBIT #2: CHO003 CHO030 CHO31 CHO038 CHO039 Restitution Supports*.

- (2) The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet.

**COMPANY RESPONSE:** Completed.

#### Statutory Notices Review

- (1-8) Please provide a copy of the revised notices that have been amended to comply with the respective statutes. Furthermore, please provide evidence that the tool used to generate the Notice of Cancellation and Reduction in Coverage of Premium Increase has been updated pursuant to the Companies' response to item (3).

**COMPANY RESPONSE for Travco Insurance Company and Travelers Personal Security Insurance Company:** The forms identified under items (1-6 and 8) will be updated by December 31, 2020. We will provide a copy of each form upon amendment. For (item 7 of 8), please see *EXHIBIT #3: VA Home Declarations – Ordinance of Law*.

**COMPANY RESPONSE for The Travelers Indemnity Company of America:** Please see *EXHIBIT #4: VA CAP – Statutory Notices Review (item 3 of 8)*.

Please do not hesitate to contact me should you have questions or require additional documentation.

*Travelers is providing this information in response to your Market Regulatory Activity request. Pursuant to the applicable portions of Virginia law, including but not limited to, Va. Code § 38.2-221.1, Va. Code § 38.2-1317.2, Va. Code § 38.2-1320.5, and Va. Code §§ 2.2-3700 et seq., Travelers considers the information it is providing to be proprietary and confidential and not open to the public for inspection, copying, photographing or any other type of reproduction. If the Bureau of Insurance is required by law to release the data provided, in whole or in part, as the result of a third-party request or for any other reason, Travelers respectfully requests that the Bureau of Insurance provide Travelers with reasonable advance notice so that it may seek an appropriate protective order.*

Sincerely,

*Lauri Wichtowski*

Lauri Wichtowski

**From:** [Joy Morton](#)  
**To:** [Wichtowski, Lauri A](#); [Palmieri, Christine L](#)  
**Cc:** [Ju" Coby D. Hendrick](#); [Andrea Baytop](#)  
**Subject:** Finalizing the Market Conduct Report  
**Date:** Thursday, February 27, 2020 11:30:31 AM

---

Hi Lauri

We've had a chance to review your latest response and found a few items that we think we can resolve with an email as opposed to an additional letter. In the area of rating the information provided in the restitution spreadsheet show the following files as cancelled either pro rata or flat cancellations:

- RHO003, please provide evidence of the flat cancellation, by way of the cancel notice and the proof of mailing for this file.
- RHO009, please provide evidence of the flat cancellation, by way of the cancel notice and the proof of mailing for this file.
- RHO022, please provide evidence of the flat cancellation, by way of the cancel notice and the proof of mailing for this file.
- RHO025, please provide evidence of the flat cancellation, by way of the cancel notice and the proof of mailing for this file.
- RHO026, please provide evidence of the flat cancellation, by way of the cancel notice and the proof of mailing for this file.
- RHO028, please provide evidence of the flat cancellation, by way of the cancel notice and the proof of mailing for this file.
- RHO030, please provide evidence of the flat cancellation, by way of the cancel notice and the proof of mailing for this file.
- RHO031, please provide the loss policy release signed by the insured requesting mid-term cancellation.
- RPA046, please provide evidence of the flat cancellation, by way of the cancel notice and the proof of mailing for this file.
- RPA047, please provide evidence of the flat cancellation, by way of the cancel notice and the proof of mailing for this file.

For file RPA020, the amount the Bureau requested for restitution was \$796.06 but you have indicated that the amount of the refund was \$769.06. Was this just a typo or is there is a reason the amount of the refund was reduced?

Thank you in advance for your prompt reply.

**JOY MORTON, AMCM**  
**BOI MANAGER**  
**P&C MARKET CONDUCT**  
**(804)371-9540**  
**JOY.MORTON@SCC.VIRGINIA.GOV**



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[jucoby.hendrick@scc.virginia.gov](mailto:jucoby.hendrick@scc.virginia.gov)

**From:** [lwichtow@travelers.com](mailto:lwichtow@travelers.com)

[Print](#)

Authenticated by [travelers.com](#) Valid Signature ([Help](#))

**To:** [Joy.Morton@scc.virginia.gov](mailto:Joy.Morton@scc.virginia.gov)

**Cc:** [Andrea.Baytop@scc.virginia.gov](mailto:Andrea.Baytop@scc.virginia.gov), [JuCoby.Hendrick@scc.virginia.gov](mailto:JuCoby.Hendrick@scc.virginia.gov), [CPALMIER@travelers.com](mailto:CPALMIER@travelers.com)

**Sent:** Fri Mar 6, 2020 1:20 PM

**Subject:** VA MCE - Finalizing the Market Conduct Report

**Attached:** RHO022 6023340086331 Copy of Cancellation.pdf (125 kb) - [View](#), [Download](#)  
RHO025 ContactViewPrint.pdf (124 kb) - [View](#), [Download](#)  
RHO026 Copy of Cancellation Notice.pdf (138 kb) - [View](#), [Download](#)  
RHO028 ContactViewPrint.pdf (124 kb) - [View](#), [Download](#)  
RHO030 ContactViewPrint.pdf (119 kb) - [View](#), [Download](#)  
RPA046 9957519782031 [REDACTED] Fax Cancellation.pdf (138 kb) - [View](#), [Download](#)  
RPA046 9957519782031 Cancellation.pdf (41 kb) - [View](#), [Download](#)  
RHO003 6017316236331 ContactViewPrint.pdf (122 kb) - [View](#), [Download](#)  
RHO009 6019890756361 Copy of Cancellation Notice.pdf (125 kb) - [View](#), [Download](#)  
RPA047 9966857572031 Offer to Reinstate.pdf (235 kb) - [View](#), [Download](#)  
RHO009 POM.pdf (102 kb) - [View](#), [Download](#)  
RHO022 POM.pdf (201 kb) - [View](#), [Download](#)  
RHO026 POM.pdf (112 kb) - [View](#), [Download](#)  
RHO031 Cancel Request.pdf (152 kb) - [View](#), [Download](#)  
Check Request for policy [REDACTED].docx (39 kb) - [View](#), [Download](#)

Hi Joy,

As requested, please see our response and additional cancellation documentation.

- RHO003, please provide evidence of the flat cancellation, by way of the cancel notice and the proof of mailing for this file. **Verbal insured requested cancellation;**

Pam Henry

---

**From:** Joy Morton  
**Sent:** Wednesday, March 11, 2020 2:07 PM  
**To:** Wichtowski,Lauri A  
**Cc:** Andrea Baytop; Ju'Coby D. Hendrick; Palmieri,Christine L  
**Subject:** RE: VA MCE - Finalizing the Market Conduct Report

Hi Lauri:

Thank you for the additional information provided. There is still a problem with the file for RHO031. The Loss Policy releases provided for this file was for cancellation requests prior to the policy period under review. In fact, the LPR's indicate the policy being cancelled is being rewritten by the policy in our sample.



Please make the restitution for this policy and we will be in a position to close the examination.


Thanks,  
Joy Morton

Confidential


---

**From:** Wichtowski,Lauri A <LWICHTOW@travelers.com>  
**Sent:** Friday, March 6, 2020 1:21 PM  
**To:** Joy Morton <Joy.Morton@scc.virginia.gov>  
**Cc:** Andrea Baytop <Andrea.Baytop@scc.virginia.gov>; Ju'Coby D. Hendrick <JuCoby.Hendrick@scc.virginia.gov>; Palmieri,Christine L <CPALMIER@travelers.com>  
**Subject:** VA MCE - Finalizing the Market Conduct Report


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[jucoby.hendrick@scc.virginia.gov](mailto:jucoby.hendrick@scc.virginia.gov)

**From:** [lwichtow@travelers.com](mailto:lwichtow@travelers.com)

[Print](#)

Authenticated by [travelers.com](#) Valid Signature ([Help](#))

**To:** [Joy.Morton@scc.virginia.gov](mailto:Joy.Morton@scc.virginia.gov)

**Cc:** [Andrea.Baytop@scc.virginia.gov](mailto:Andrea.Baytop@scc.virginia.gov), [JuCoby.Hendrick@scc.virginia.gov](mailto:JuCoby.Hendrick@scc.virginia.gov), [CPALMIER@travelers.com](mailto:CPALMIER@travelers.com)

**Sent:** Thu Mar 12, 2020 9:08 AM

**Subject:** FW: VA MCE - Finalizing the Market Conduct Report

**Attached:** Mullen Signed LPR.pdf (67 kb) - [View](#), [Download](#)

Good morning Joy,

We have taken another look at RHO031 and have found that we failed to send you the LPR for the correct term. Attached is the LPR for the correct policy term (03/16/2018 – 03/16/2019). We apologize for this oversight.

Please let me know if you have questions or any additional concerns.

*Travelers is providing this information in response to your Market Regulatory Activity request. Pursuant to the applicable portions of Virginia law, including but not limited to, Va. Code § 38.2-221.1, Va. Code § 38.2-1317.2, Va. Code § 38.2-1320.5, and Va. Code §§ 2.2-3700 et seq., Travelers considers the information it is providing to be proprietary and confidential and not open to the public for inspection, copying, photographing or any other type of reproduction.*

*If the Bureau of Insurance is required by law to release the data provided, in whole or in part, as the result of a third-party request or for any other reason, Travelers respectfully requests that the Bureau of Insurance provide Travelers with reasonable advance notice so that it may seek an appropriate protective order.*

Thank you,  
Lauri

**Lauri Wichtowski, MCM | Compliance Director | Corporate Compliance & Market Regulation**  
Travelers  
One Tower Square | MS08A  
Hartford, CT 06183  
W: 860.954.4308 F: 860-835-7809  
Contact Office: CNT05E1002st Office: CNT05E1002

# COMMONWEALTH OF VIRGINIA

SCOTT A. WHITE  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSIONER  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
1300 E. MAIN STREET  
RICHMOND, VIRGINIA 23219  
TELEPHONE: (804) 371-9741  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

March 20, 2020

## VIA E-MAIL DELIVERY

Lauri Wichtowski  
Compliance Director  
Travelers Group  
One Tower Square  
Hartford, CT 06183  
[lwichtow@travelers.com](mailto:lwichtow@travelers.com)

RE: Market Conduct Examination  
The Travelers Indemnity Company of America, NAIC #25666  
TravCo Insurance Company, NAIC #28188  
Travelers Personal Security Insurance Company, NAIC #36145  
Examination Period: January 1, 2018 – June 30, 2018

Dear Ms. Wichtowski:

The Bureau of Insurance (Bureau) has concluded its review of the companies' response of March 12, 2020. Based upon the Bureau's review of the companies' correspondence, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of The Travelers Indemnity Company of America, TravCo Insurance Company, and Travelers Personal Security Insurance Company (Report).

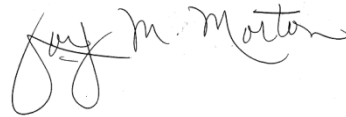
Based on the Bureau's review of the Report and the companies' responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-231 C, 38.2-305 B, 38.2-502 1, 38.2-510 A 1, 38.2-604 B, 38.2-610 A, 38.2-1809 B, 38.2-1822 A, 38.2-1833, 38.2-1905 A, 38.2-1906 D, 38.2-2114 C, 38.2-2114 E, 38.2-2118, 38.2-2120, 38.2-2124, 38.2-2126 A, 38.2-2201 D, 38.2-2202 A, 38.2-2202 B, 38.2-2212 E, 38.2-2212 F, 38.2-2214, 38.2-2220, 38.2-2223, 38.2-2234 A, and 38.2-2234 B of the Code of Virginia, as well as, 14 VAC 5-400-30 C, 14 VAC 5-400-40 A, and 14 VAC 5-400-70 D of the Virginia Administrative Code.

Violations of the laws mentioned above provide for monetary penalties of up to \$5,000 for each violation as well as suspension or revocation of an insurer's license to engage in the insurance business in Virginia.

In light of the above, the Bureau will be in further communication with you shortly regarding the appropriate disposition of this matter.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is written in a cursive style with a large, stylized initial "J".

Joy M. Morton  
Manager  
Market Conduct Section  
Property and Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

JMM/pgh  
Enclosure

**TRAVELERS**<sup>J</sup>  
One Tower Square  
Hartford, CT 06183

Christine Palmieri, AMCM  
Vice President  
Corporate Compliance & Market Regulation  
One Tower Square - MS-08  
Hartford, CT 06183  
Telephone 860.277.7327  
E-mail: cpalmier@travelers.com

April 9, 2020

Rebecca Nichols  
Deputy Commissioner  
Property and Casualty  
Bureau of Insurance  
P. O. Box 1157  
Richmond, VA 23218



RE: Market Conduct Examination Settlement Offer  
Ecase/Docket Number: INS-2020-00059

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated March 25, 2020, concerning the above referenced matter.

We wish to make a settlement offer on behalf of the insurance companies listed below for the alleged violations of §§ 38.2-231 C, 38.2-305 B, 38.2-502 1, 38.2-510 A 1, 38.2-604 B, 38.2-610 A, 38.2-1809 B, 38.2-1822 A, 38.2-1833, 38.2-1905 A, 38.2-1906 D, 38.2-2114 C, 38.2-2114 E, 38.2-2118, 38.2-2120, 38.2-2124, 38.2-2126 A, 38.2-2201 D, 38.2-2202 A, 38.2-2202 B, 38.2-2212 E, 38.2-2212 F, 38.2-2214, 38.2-2220, 38.2-2223, 38.2-2234 A, and 38.2-2234 B of the Code of Virginia, as well as, 14 VAC 5-400-30-C, 14 VAC 5-400-40 A, and 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a general business practice.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$49,500.
2. We agree to comply with the corrective action plan set forth in the companies' letters of October 29, 2019, February 24, 2020, and emails of March 6, 2020 and March 12, 2020.
3. We confirm that restitution was made to 77 consumers for \$21,707.98 in accordance with the companies' letters of October 29, 2019, February 24, 2020, and emails of March 6, 2020 and March 12, 2020.
4. We further acknowledge the companies' right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.

This offer is being made solely for the purpose of a settlement and does not constitute, nor should it be construed as, an admission of any violation of law.

Sincerely,

The Travelers Indemnity Company of America, NAIC #25666  
TravCo Insurance Company, NAIC #28188  
Travelers Personal Security Insurance Company, NAIC #36145

*Christine Palmieri*

---

(Signed)

Christine Palmieri

---

(Type or Print Name)

Vice President

---

(Title)

April 9, 2020

---

(Date)

Enclosure

# COMMONWEALTH OF VIRGINIA



**SCOTT A. WHITE**  
**COMMISSIONER OF INSURANCE**  
**STATE CORPORATION COMMISSION**  
**BUREAU OF INSURANCE**

**P.O. BOX 1157**  
**RICHMOND, VIRGINIA 23218**  
**1300 E. MAIN STREET**  
**RICHMOND, VIRGINIA 23219**  
**TELEPHONE: (804) 371-9741**  
**[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)**

The Travelers Indemnity Company of America, TravCo Insurance Company, and Travelers Personal Security Insurance Company have tendered to the Bureau of Insurance the settlement amount of \$49,500 by their check numbered 0007321685 and dated April 2, 2020, a copy of which is located in the Bureau's files.

## STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 20, 2020

*Document Control Center 04/20/20@1.07 PM*COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2020-00059

THE TRAVELERS INDEMNITY COMPANY  
OF AMERICA,  
TRAVCO INSURANCE COMPANY,  
and  
TRAVELERS PERSONAL SECURITY INSURANCE COMPANY,  
Defendants

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that The Travelers Indemnity Company of America, TravCo Insurance Company, and Travelers Personal Security Insurance Company (collectively, the "Defendants"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), violated: §§ 38.2-231 C and 38.2-2114 C of the Code of Virginia ("Code") by failing to have compliant termination notices; § 38.2-305 B of the Code by failing to provide the Important Information notice to policyholders; § 38.2-604 B of the Code by failing to have an Information Collection and Disclosure Practices notice that complies with the statute; § 38.2-502 (1) of the Code by failing to properly represent the benefits, advantages, conditions or terms of an insurance policy; § 38.2-510 A 1 of the Code by misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue; § 38.2-610 A of the Code by failing to have an adverse underwriting decision notice that complies with the statute; § 38.2-1809 B of the Code by failing to retain records relative to insurance transactions for three previous calendar years; § 38.2-1822 A of the Code by allowing

an entity to act as an agent without first obtaining a license from the Commonwealth of Virginia; § 38.2-1833 of the Code by failing to appoint an agent within thirty (30) days of the date of the insurance application; § 38.2-1905 A of the Code by failing to provide the Accident Surcharge Point notice; § 38.2-1906 D of the Code by failing to use the rules/rates on file with the Bureau; §§ 38.2-2114 E, 38.2-2212 E and 38.2-2212 F of the Code by failing to accurately terminate insurance policies; § 38.2-2118 of the Code by failing to have a compliant Replacement Cost Benefits notice; § 38.2-2120 of the Code by failing to provide the Water which Backs Up through Sewers or Drains notice; § 38.2-2124 C of the Code by failing to have an Ordinance or Law notice available for use; § 38.2-2126 A of the Code by failing to have a compliant Insurance Credit Disclosure notice; § 38.2-2201 D of the Code by failing to obtain a valid Assignment of Benefits from the insured authorizing direct payment to the medical provider; § 38.2-2202 A of the Code by failing to provide the Medical Expense Coverage Options notice; § 38.2-2202 B of the Code by failing to provide the Uninsured Motorist Optional Limits notice; § 38.2-2214 of the Code by failing to use the Rate Classification Statement in language approved by the Commission; § 38.2-2220 of the Code by failing to use forms in the precise language of standard auto forms; § 38.2-2223 of the Code by using broadenings of standard forms without obtaining approval from the Commission prior to use; and §§ 38.2-2234 A and 38.2-2234 B of the Code by failing to have a compliant Automobile Insurance Credit Disclosure Notice; as well as 14 VAC 5-400-30 C, 14 VAC 5-400-40 A, and 14 VAC 5-400-70 D of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.* ("Rules"), by failing to properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a



defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendants have been advised of the right to a hearing in this matter whereupon the Defendants, without admitting nor denying any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have agreed to comply with the corrective action plan outlined in company correspondence dated October 29, 2019, February 24, 2020, March 6, 2020, and March 12, 2020; have confirmed restitution was made to 77 consumers in the amount of Twenty-one Thousand Seven Hundred Seven Dollars and Ninety-eight Cents (\$21,707.98); have tendered to the Treasurer of Virginia the sum of Forty-Nine Thousand Five Hundred Dollars (\$49,500); and have waived the right to a hearing.

The Bureau has recommended that the Commission accept the offer of settlement of the Defendants pursuant to the authority granted the Commission in § 12.1-15 of the Code.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Bureau, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.

(2) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

A COPY of this order shall be sent electronically by the Clerk of the Commission to:  
Lauri Wichtowski, Compliance Director, Travelers Group, at [LWICHTOW@travelers.com](mailto:LWICHTOW@travelers.com), One  
Tower Square, Hartford, Connecticut 06183; and a copy shall be delivered to the Commission's  
Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner  
Rebecca Nichols.