

STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION

IN RE: The Travelers Indemnity Company (NAIC #25658)
The Travelers Indemnity Company of America (NAIC #25666),
Travelers Casualty Insurance Company of America (NAIC #19046), Dkt. No. 15-022-I
The Charter Oak Fire Insurance Company (NAIC #25615),
Travelers Property Casualty Company of America (NAIC #25674)
Travelers Commercial Insurance Company (NAIC #36137)
Travelers Property Casualty Insurance Company (NAIC #36161),
The Standard Fire Insurance Company (NAIC #19070), and
Automobile Insurance Company of Hartford, CT (NAIC #19062)

STIPULATION AND CONSENT ORDER

The Insurance Division of the Vermont Department of Financial Regulation (“Department”) and The Travelers Indemnity Company, The Travelers Indemnity Company of America, Travelers Casualty Insurance Company of America, The Charter Oak Fire Insurance Company, Travelers Property Casualty Company of America, Travelers Commercial Insurance Company, Travelers Property Casualty Insurance Company, The Standard Fire Insurance Company and Automobile Insurance Company of Hartford, CT (“Respondents”) stipulate and agree:

1. Pursuant to the authority contained in 8 V.S.A. §§ 11, 12, 13, 15, 4723 and 4726 the Commissioner of the Department (“Commissioner”) is charged with enforcing the insurance laws of the State of Vermont.
2. Pursuant to the authority contained in 8 V.S.A. § 4726, the Commissioner may investigate any person engaged in the business of insurance in Vermont in order to determine whether that person is complying with Vermont insurance laws, and may suspend or revoke the license of any insurer, and/or may impose an administrative penalty for any violation of Title 8, Chapter 129. Respondents acknowledge and admit the jurisdiction of the Commissioner over the subject matter of this Stipulation and Consent Order.
3. Respondents are companies that are licensed to sell insurance in Vermont. Respondents

are located at One Tower Square, Hartford, CT 06183.

SCOPE OF INVESTIGATIONS

4. The Department initiated an investigation in May, 2014 with respect to Respondents' practices in order to determine Respondents' level of compliance in its handling of Vermont Uninsured Motorists Property Damage ("UMPD") claims ("UMPD investigation"). This investigation generally covered the time period from November 16, 2012 through May 31, 2014.¹

5. The Department initiated an investigation in September, 2014 with respect to Respondents' practices regarding the adjustment of claims where comparative negligence allocations were assigned to claimants in order to determine Respondents' level of compliance with Vermont law ("Comparative Negligence investigation"). This investigation covered the period from January 1, 2011 through December 31, 2013.²

6. Following an analysis of Respondents' Market Conduct Annual Statements covering the period 2012-2014, the Department initiated an investigation in July, 2015 with respect to Respondents' practices regarding cancellations and non-renewals of personal passenger automobile policies and homeowner policies ("Cancellation/Non-Renewal investigation").³

FINDINGS OF FACT

7. Title 23 V.S.A. § 941 sets forth the statutory requirements for insurance against uninsured motorists. Under this provision a deductible of \$150 is permitted only if the claimant does not have

¹ For purposes of the UMPD investigation described in ¶ 4, Respondents include The Travelers Indemnity Company, The Travelers Indemnity Company of America, Travelers Casualty Insurance Company of America, The Charter Oak Fire Insurance Company and Travelers Property Casualty Company of America.

² For purposes of the Comparative Negligence investigation described in ¶ 5, Respondents include Travelers Commercial Insurance Company, The Charter Oak Fire Insurance Company, Travelers Property Casualty Insurance Company and The Standard Fire Insurance Company.

³ For purposes of the Cancellation/Non-Renewal investigation described in ¶ 6, Respondents include Travelers Property Casualty Insurance Company, Automobile Insurance Company of Hartford, CT, Travelers Commercial Insurance Company, The Standard Fire Insurance Company and Travelers Indemnity Company of America.

collision coverage for his or her motor vehicle.⁴ In the event the claimant does have collision coverage, no deductible would apply. A violation of this provision of Title 23 constitutes a violation of 8 V.S.A. § 4723 pursuant to 8 V.S.A. § 4724(9)(F).

8. As a result of its UMPD investigation, the Department concludes that Respondents failed in some cases to waive the collision deductible when the deductible should have been waived, which constitutes a violation of 23 V.S.A. § 941, and 8 V.S.A. § 4723 pursuant to 8 V.S.A. § 4724(9)(F).

9. While the Department's UMPD investigation was ongoing and as a result of an internal audit conducted by Respondents, Respondents refunded the unpaid deductibles to some insureds but failed to include interest until the Department requested it do so, which constitutes a violation of 8 V.S.A. § 3665.

10. As a result of its UMPD investigation, the Department concludes that Respondents failed to produce documentation supporting the implementation of reasonable standards for the prompt investigation of claims arising under insurance policies relating to the handling of UMPD claims, which constitutes a violation of 8 V.S.A. § 4723 pursuant to 8 V.S.A. § 4724(9)(C).

11. As a result of its UMPD investigation, the Department concludes that Respondents failed to include an appropriate explanation of the basis of some of its payments, which constitutes a violation of Regulation 79-2, Section 7B.

12. As a result of its Comparative Negligence investigation, the Department concludes that Respondents must improve its investigation standards and supervisory oversight, as required by 8 V.S.A. § 4724(9)(C)(D) and 8 V.S.A. § 4724(17).

13. As a result of its Comparative Negligence investigation, the Department concludes that Respondents must improve its claim file documentation procedures to ensure that it preserves

⁴ See also Insurance Bulletin No. 175.

each claim file so as to clearly shows that file's inception, handling and disposition, as required by 8 V.S.A. § 3568 and Vermont Insurance Regulation 99-01 ¶ 4A(3).

14. As a result of its Cancellation/Non-Renewal Investigation, the Department concludes that Respondents Travelers Property and Casualty Insurance Company, Travelers Indemnity Company of America, The Automobile Insurance Company of Hartford CT, The Standard Fire Insurance Company and Travelers commercial Insurance Company issued notices of cancellations of insurance policies to policyholders in violation of the timeframe required by 8 V.S.A. § 3879(b).

15. As a result of its Cancellation/Non-Renewal Investigation, the Department concludes that Respondents Travelers Property and Casualty Insurance Company, Travelers Indemnity Company of America, The Automobile Insurance Company of Hartford CT, The Standard Fire Insurance Company and Travelers Commercial Insurance Company issued notices of non-renewals in violation of the timeframe required by 8 V.S.A. § 3883.

16. As a result of its Cancellation/Non-Renewal Investigation, the Department concludes that Respondents Travelers Property and Casualty Insurance Company, The Standard Fire Insurance Company and Travelers Commercial Insurance Company violated the provisions of 8 V.S.A. § 4226.

17. Respondents have been made aware that the Department may proceed with an administrative action against them for the violations set forth herein and seek appropriate relief pursuant to the Department's statutory authority.

18. Respondents have agreed to enter into this Stipulation and Consent Order with the Department on the terms and conditions hereinafter set forth in lieu of proceeding with a hearing. The Department acknowledges that Respondents have fully cooperated with the Department in the investigations described herein.

19. Respondents waive their right to a hearing before the Commissioner or the Commissioner's designee, and all other procedures otherwise available under Vermont law, the rules of the Department, the provisions of chapter 25 of Title 3 regarding contested cases, or any right they may

have to judicial review by any court by way of suit, appeal, or extraordinary remedy with respect to the terms of this Stipulation and Consent Order.

20. Respondents acknowledge their understanding of all terms, conditions, undertakings and obligations contained in this Stipulation and Consent Order.

21. Respondents acknowledge that this Stipulation and Consent Order constitutes a valid order duly rendered by the Commissioner and agree to be fully bound by it. Respondents acknowledge that this Order constitutes a finding by the Commissioner that Respondents have violated the provisions of Vermont law set forth above and agree not to contest such findings. Respondents acknowledge that noncompliance with any of the terms of this Order shall constitute a violation of a lawful order of the Commissioner and may subject Respondents to administrative action or sanctions as the Commissioner deems appropriate. Respondents further acknowledge that the Commissioner retains jurisdiction over this matter for the purpose of enforcing this Order.

22. The Department acknowledges that Respondents have to date voluntarily issued refunds in the amount of \$31,584.45 (inclusive of statutory interest) to impacted insureds for UMPD claims.

23. The Department retains any rights it has to respond to and address any consumer Complaint that may be made with regard to Respondents and a transaction in insurance, as defined in 8 V.S.A. § 3301. This includes the right to pursue any remedy authorized by law in response to such a consumer complaint.

24. Nothing herein shall be construed as a waiver of any private right of action any person may have.

THE DEPARTMENT AND RESPONDENTS FURTHER STIPULATE AND AGREE:

25. Respondents agree that in cases involving a material dispute as to the relevant facts of an accident, its adjusters shall consider the use of various investigatory tools in order to reach a reasonable

comparative negligence determination, including but not limited to, where appropriate:

a. Interviewing and/or taking recorded statements from the insured driver, the claimant, and any witnesses;

b. Obtaining and analyzing any police report and assessing the conclusions and opinions, if any, of the investigating officer;

c. Conducting or causing to be conducted a scene investigation and/or obtaining photographic evidence of the accident scene; and,

d. Conducting or causing to be conducted a vehicle inspection which should include photographic evidence; and/or engaging experts (e.g., engineers, accident reconstructionists, medical experts) to identify the cause(s) of the accident and any contributing factors.

26. The Department acknowledges that certain steps may not be appropriate or reasonably required in all investigations of claims involving the assessment of comparative negligence. Respondents agree that in the event an adjuster deems any step inappropriate, the adjuster shall document in the claim file why the step was inappropriate if it is not evident from the context of the claim file so as to comply with the requirements of Vermont Ins. Regulation 99-01.

27. Respondents shall, within sixty (60) days of the entry of this Stipulation and Consent Order, deliver additional training to its representatives to ensure their compliance with the requirements of this Stipulation and Consent Order with respect to:

- a. The handling of UMPD claims, including but not limited to the requirements set forth in 23 V.S.A. § 941;
- b. The handling of cancellations and non-renewals of private passenger owner and homeowner policies; and,
- c. The handling of comparative negligence determinations in automobile liability claims.

28. Respondents shall ensure interest is paid on late claim payments as required by 8 V.S.A. § 3665.

29. Respondents shall maintain records in a manner which clearly shows the inception, handling and disposition of the claims as required by Regulation 99-1, Section 4A(3).

30. Respondents shall preserve business records as required by 8 V.S.A. § 3568 and Insurance Regulation 99-1, Sections 4A, 6A and 7A(6).

31. Respondents shall ensure all claim payments include an appropriate explanation of the basis of payment as required by Insurance Regulation 79-2, Section 7B.

32. Respondents shall pay an administrative penalty of \$96,000 within ten days of the execution of this Stipulation and Consent Order.

33. In the event restitution is unable to be made to any of the consumers entitled to such restitution pursuant to the terms of this Stipulation and Consent Order because their addresses or whereabouts are unknown, Respondents shall comply with the requirements of Title 27, Chapter 14 of the Vermont Statutes Annotated and shall provide proof of such compliance to the Department.

34. Respondents waive their statutory right to notice and a hearing before the Commissioner of the Department, or her designated appointee.

35. Respondents acknowledge that this Stipulation and Consent Order is entered into freely and voluntarily, and that except as set forth herein, no promise was made to induce the Respondents to enter into it. Respondents acknowledge that they understand all terms and obligations contained in this Order. Respondents acknowledge that they have consulted with their attorney in this matter and that they have reviewed this Stipulation and Consent Order and understand all terms and obligations contained herein.

36. Respondents consent to the entry of this Order and agree to be fully bound by its terms and conditions. Respondents acknowledge that noncompliance with any of the terms of this Order may

constitute a separate violation of the insurance laws of the State of Vermont and may subject them to sanctions.

37. The terms set forth in this Stipulation and Consent Order represent the complete agreement between the parties as to its subject matter.

38. The undersigned representative of Respondents affirms that he or she has taken all necessary steps to obtain the authority to bind Respondents to the obligations stated herein and has the authority to bind Respondents to the obligations stated herein.

The Travelers Indemnity Company,
The Travelers Indemnity Company of America,
Travelers Casualty Insurance Company of America,
The Charter Oak Fire Insurance Company,
Travelers Property Casualty Company of America,
Travelers Commercial Insurance Company,
Travelers Property Casualty Ins. Co.,
The Standard Fire Insurance Co., and,
Automobile Ins. Co. of Hartford, CT:

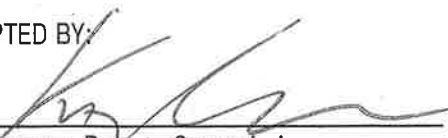

Christine L. Palmieri, Vice President

Date: March 7, 2016

STATE OF Connecticut
COUNTY OF Hartford

On this 7th day of March, 2016 Christine L. Palmieri personally appeared before me and pursuant to a sworn oath subscribed to this Stipulation and Consent Order represented that she has full authority to execute, deliver and legally bind Respondents to this Stipulation and Consent Order.


BEVERLY A. RIPPLE
Notary Public
My commission expires My Commission Expires March 31, 2016

ACCEPTED BY:

Kaj Samsom, Deputy Commissioner
Insurance Division, Vermont Department
of Financial Regulation

March 8th, 2016

CONSENT ORDER

1. The stipulated facts, terms and provisions of this Stipulation are incorporated by reference herein.
2. Jurisdiction in this matter is established pursuant to 8 V.S.A. § Chapters 101 and 129.
3. Pursuant to the Stipulation, Respondents consent to the entry of this Consent Order and the findings set forth therein.
4. Respondents shall comply with all agreements, stipulations and undertakings as recited above.
5. Other than as specifically set forth herein, nothing contained in this order shall restrain or limit the Department in responding to and addressing any consumer complaint about Respondents filed with the Department or shall preclude the Department from pursuing any other violation of law.

Entered at Montpelier, Vermont this 8th day of March, 2016.



Susan L. Donegan, Commissioner
Vermont Department of Financial Regulation