

1 3. The Examiners reviewed 293 personal homeowner policies issued by the
2 Hartford Group during the time frame of the examination and found as follows:

3 a. Hartford Casualty nonrenewed eight policies for condition of the
4 premises and failed to give the insureds 30 days to remedy the condition of the
5 premises.

6 b. Hartford Casualty was issued a general criticism of its
7 homeowners policies because it used incorrect territory codes. The Examiners
8 requested that Hartford Casualty conduct a self-audit during the Examination to
9 determine the exact number of policies involved. As a result, there were 1,326 policies
10 that equated to 2,185 policy terms that had incorrect territory codes with overcharges
11 of \$29,356.96. Hartford Casualty paid this amount plus \$9,619.45 in interest.

12 4. The Examiners reviewed 205 Commercial Auto policies issued by the
13 Company during the time frame of the examination and found as follows:

14 a. Hartford Casualty issued four policies where the files contained no
15 justification for the change in schedule credits/debits.

16 b. Hartford Casualty issued three policies where is used the
17 Schedule Rating Plan as an "inappropriate pricing" tool.

18 c. Hartford Casualty issued two policies where it did not apply the
19 Experience Rating Plan when the risks were eligible.

20 d. Hartford Casualty issued six policies where it applied detrend
21 factors to premiums used in its Experience Rating Plan, when the Company's Plan did
22 not allow for detrending.

23 e. Hartford Casualty issued one policy where it applied the incorrect
24 deviations for three renewals. As a result, the insured was overcharged \$202.00.

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1 f. Hartford Casualty issued 17 policies containing tier notations
2 where it failed to include documentation to allow the Director to verify compliance with
3 Arizona Statutes.

4 5. The Examiners reviewed 205 Commercial Package policies issued by the
5 Company during the time frame of the examination and found as follows:

6 a. Hartford Casualty issued seven policies where the files contained
7 no justification for the change in schedule credits/debits.

8 b. Hartford Casualty issued 27 policies where these insureds were
9 eligible for schedule rating but not considered.

10 c. Hartford Casualty issued two policies where is used the Schedule
11 Rating Plan as an "inappropriate pricing" tool.

12 d. Hartford Casualty issued three policies where it did not use its filed
13 increase limit factor.

14 e. Hartford Casualty issued six policies which had no documentation
15 of reasons for exception handling.

16 6. The Examiners reviewed 194 Specialty policies issued by the Company
17 during the time frame of the examination and found as follows:

18 a. Hartford Casualty issued five policies which had no documentation
19 of IRPM/schedule credits/debits given.

20 b. Hartford Casualty issued two policies where it included inadequate
21 documentation in support of the IRPM/schedule credits/debits to risk characteristics.

22 c. Hartford Casualty issued three policies where the Company files
23 contained no justification for change in credits/debits.

24 d. Hartford Casualty issued four policies that exceeded the maximum
25 credits/debits allowable under its filed Schedule Rating Plan.

1 c. Hartford Casualty issued three policies where the Company files
2 contained no justification for change in credits/debits.

3 d. Hartford Casualty issued four policies that exceeded the maximum
4 credits/debits allowable under its filed Schedule Rating Plan.

5 e. Hartford Casualty issued three policies where it applied the IRPM
6 Rating Plan as an "inappropriate pricing tool."

7 f. Hartford Casualty issued 19 policies with an incorrect deviation
8 factor on the general liability and on the automobile portions.

9 g. Hartford Casualty issued 11 policies where it failed to apply the
10 correct Special Multi-Flex modification.

11 h. Hartford Casualty issued two policies where the Company used an
12 "a" rate different than what was published.

13 i. Hartford Casualty issued three policies where it did not apply the
14 filed minimum premiums

15 CONCLUSIONS OF LAW

16 1. By failing to provide at least 30 days to remedy the condition of premises
17 of homeowner policies, Hartford Casualty violated A.R.S. § 20-1652(B).

18 2. By issuing homeowners policies and using the incorrect territory code,
19 Hartford Casualty violated A.R.S. § 20-385(A).

20 3. By issuing specialty lines, commercial package, and commercial
21 automobile policies with premiums developed other than on the basis of its rates and
22 rules filed pursuant to A.R.S. § 20-385(A), Hartford Casualty violated A.R.S. § 20-
23 400.01(A).

1 e. Determining the premiums of its commercial automobile,
2 commercial package, and specialty lines policies other than on the basis of its rates
3 and rules filed.

4 f. Applying incorrect credits and debits to specialty lines policies.

5 g. Applying increased limit factors to commercial package policies
6 other than those filed with the Department.

7 2. Within 90 days of filed date of this Order, Hartford Casualty shall submit
8 to the Arizona Department of Insurance, for approval, evidence that corrections have
9 been implemented and communicated to the appropriate personnel, regarding all of
10 the items listed above in the Paragraph 1 of the Order section of this Consent Order.
11 Evidence of corrective action and communication thereof includes, but is not limited to,
12 memos, bulletins, E-mails, correspondence, procedures manuals, print screens, and
13 training materials.

14 3. Within 90 days of the filed date of this Order, Hartford Casualty shall
15 refund overcharges totaling \$202.00, plus one year's interest at the rate of ten percent
16 per annum, to the policyholder insured by policies RP 7828 and HD 5369.

17 4. The payment made in accordance with Item 3 above shall be
18 accompanied by a letter of explanation to the insured in a form previously approved by
19 the Director. A list of payments, giving the name and address of each party paid, the
20 amount of the payment, the amount of interest paid, and the date of payment, shall be
21 provided to the Department within 90 days of the filed date of this Order.

22 5. The Department shall be permitted, through authorized representatives,
23 to verify that Hartford Casualty has complied with all provisions of this Order.

24 6. Hartford Casualty shall pay a civil penalty of \$15,000 to the Director for
25 deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil

1 penalty shall be provided to the Market Conduct Examinations Division of the
2 Department prior to the filing of this Order.

3 8. The Report of Examination of the Market Conduct Affairs of Hartford
4 Casualty dated November 17, 1995, including the letter submitted in response to the
5 Report of Examination, shall be filed with the Department after the Director has filed
6 this Order.

7 DATED at Phoenix, Arizona this 21st day of March, 2001.

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10 _____
11 Charles R. Cohen
12 Director of Insurance
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1 CONSENT TO ORDER

2 1. Hartford Casualty Insurance Company has reviewed the foregoing Order.

3 2. Hartford Casualty Insurance Company admits the jurisdiction of the
4 Director of Insurance, State of Arizona, neither admits nor denies the foregoing
5 Findings of Fact, and Conclusions of Law, and consents to the entry of the foregoing
6 Order.

7 3. Hartford Casualty Insurance Company is aware of its right to a hearing,
8 at which it may be represented by counsel, present evidence, and cross-examine
9 witnesses. Hartford Casualty Insurance Company irrevocably waives its right to such
10 notice and hearing and to any court appeals related to this Order.

11 4. Hartford Casualty Insurance Company states that no promise of any kind
12 or nature whatsoever was made to it to induce it to enter into this Consent Order and
13 that it has entered into this Consent Order voluntarily.

14 5. Hartford Casualty Insurance Company acknowledges that the
15 acceptance of this Order by the Director of the Arizona Department of Insurance, is
16 solely for the purpose of settling this matter and does not preclude any other agency or
17 officer of this state or its subdivisions or any other person from instituting proceedings,
18 whether civil, criminal, or administrative, as may be appropriate now or in the future.

19 6. George Klotzbaugh, who holds the office of Vice President and Compliance Director
20 of Hartford Casualty Insurance Company, is authorized to enter into this Order for it
21 and on its behalf.

22 **HARTFORD CASUALTY INSURANCE COMPANY**

23 3/7/01

24 Date

25 By: George Klotzbaugh

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COPY of the foregoing mailed/delivered
This 22nd day of March 2001, to:

- Sara Begley
Deputy Director
- Mary Butterfield
Assistant Director
Consumer Affairs Division
- Paul J. Hogan
Chief Market Conduct Examiner
Market Conduct Examinations Division
- Deloris E. Williamson
Assistant Director
Rates & Regulations Division
- Steve Ferguson
Assistant Director
Financial Affairs Division
- Alexandra Shafer
Assistant Director
Life & Health Division
- Nancy Howse
Chief Financial Examiner
- Terry L Cooper
Fraud Unit Chief

DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210
Phoenix, AZ 85018

Sheila C. Ward, Regulatory Compliance Director
HARTFORD CASUALTY INSURANCE COMPANY
Corporate Compliance Department
Hartford Plaza
Hartford, Connecticut 06115

