

MAR 22 2001

STATE OF ARIZONA DEPT. OF INSURANCE
DEPARTMENT OF INSURANCE BY CB

In the Matter of:) Docket No. 01A-080-INS
HARTFORD FIRE INSURANCE COMPANY,)
NAIC #19682,) **CONSENT ORDER**
Respondent)

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Hartford Fire Insurance Company ("Hartford Fire"). The Report of Examination of the Market Conduct Affairs of Hartford Fire alleges that Hartford Fire has violated A.R.S. §§ 20-263, 20-385, 20-400.01, 20-442, 20-443, 20-461, 20-1652, 20-1676, and A.A.C. R20-6-801.

Hartford Fire wishes to resolve this matter without formal proceedings, neither admits or denies the following Findings of Fact and Conclusions of Law, and consents to the entry of the following Order.

FINDINGS OF FACT

1. Hartford Fire is authorized to transact property and casualty insurance, including workers compensation, pursuant to a Certificate of Authority issued by the Director.

2. The Examiners were authorized by the Director to conduct a market conduct examination of Hartford Fire. The on-site examination was concluded on November 17, 1995. Based on the findings the Examiners prepared the "Report of Examination of Hartford Fire Insurance Company" dated November 17, 1995.

1 3. The Examiners reviewed 73 claim files that were closed without payment
2 for the calendar year 1994 and found that Hartford Fire denied one claim because the
3 policy had been canceled improperly for non-payment of premium. Hartford Fire
4 agreed to re-open claim file 628KAC59251 and pay medical payments and collision
5 coverage for the loss.

6 4. The Examiners reviewed 172 first party automobile total loss claims paid
7 by the Company during the time frame of the examination and found that Hartford Fire
8 failed to pay four claimants applicable sales taxes or license fees and other fees
9 incident to transfer of evidence of ownership of a comparable automobile. The four
10 claimants were underpaid by \$586.35.

11 5. The Examiners reviewed 293 personal homeowner policies which had
12 effective dates during the time frame of the examination and found that Hartford Fire
13 nonrenewed 12 policies due to the conditions of the premises and failed to give these
14 insureds at least 30 days to remedy the conditions.

15 6. The Examiners reviewed 1,746 personal automobile policies that had
16 effective dates during the time frame of the examination and found as follows:

17 a. Hartford Fire canceled 52 policies where it required a portion or
18 the entire renewal premium to be made prior to the renewal term.

19 b. Hartford Fire renewed 26 policies where it surcharged
20 policyholders for accidents that were not substantially the insureds' fault and
21 subsequently resulted in an increase in premium to the insureds. These insureds were
22 overcharged \$10,030.

23 c. Hartford Fire renewed three policies and failed to notify the
24 insureds of the premium increase due to the at-fault accidents.

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1 d. Hartford Fire issued 12 policies where it surcharged policyholders
2 for at-fault accidents but failed to document that the insureds were substantially at
3 fault. Three insureds were overcharged \$188.

4 e. Hartford Fire issued 10 policies where it failed to use or follow the
5 filed rates relative to its SDIP program. Three insureds were overcharged \$492.

6 f. Hartford Fire issued three policies where it failed to apply its filed
7 at-fault accident surcharges under its SDIP program. As a result two insureds were
8 overcharged \$88.

9 g. Hartford Fire issued 23 policies where it failed to honor the agent's
10 quote and charged the insureds a higher premium. Eight insureds were overcharged
11 \$1,231.

12 7. The Examiners reviewed 205 Commercial Automobile policies, 205
13 Commercial Package policies and 194 Specialty policies issued by the Company
14 during the time frame of the examination and found as follows:

15 a. Hartford Fire issued eight policies where it failed to include any
16 documentation in support of the schedule credits/debits given.

17 b. Hartford Fire issued three policies where it failed to adequately
18 document the individual schedule credits/debits to specific risk characteristics.

19 c. Hartford Fire issued 17 policies where the files contained no
20 justification for the change in schedule credits/debits.

21 d. Hartford Fire issued 16 policies where it documented the individual
22 risk characteristics under the schedule rating plan that exceeded the maximum
23 credit/debit allowed under the filed plan.

24 e. Hartford Fire issued ten policies that were eligible for schedule
25 rating but were not considered.

1 f. Hartford Fire issued five policies where it used the Schedule
2 Rating Plan as an “inappropriate pricing” tool.

3 g. Hartford Fire issued 12 policies where it failed to include any
4 documentation as to the development of the experience rating. One insured was
5 overcharged \$2,354.

6 h. Hartford Fire issued eight policies where it did not apply the
7 Experience Rating Plan when the risks were eligible. As a result, two insureds were
8 overcharged \$3,087.

9 i. Hartford Fire issued 36 policies where it applied detrend factors to
10 the premiums used in its Experience Rating Plan, when the Company’s Plan did not
11 allow for detrending.

12 j. Hartford Fire issued four policies where it failed to use the known
13 or correct losses in the experience calculation.

14 k. Hartford Fire issued three policies where it failed to use its filed
15 rates.

16 l. Hartford Fire issued two policies where it used an unfiled expense
17 reduction factor. One insured was overcharged \$346.

18 m. Hartford Fire issued 39 policies where it failed to include any
19 documentation in support of its “Tier Pricing.”

20 n. Hartford Fire issued three policies where it failed to use the correct
21 experience period or actual Experience Plan premiums.

22 o. Hartford Fire issued 12 policies where it did not apply the correct
23 Special Multi-Flex modification.

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1 **CONCLUSIONS OF LAW**

2 1. By failing to honor the agent's quote, Hartford Fire violated A.R.S. §§ 20-
3 442 and 20-443.

4 2. By increasing the premium of automobile policies as a result of non-at-
5 fault accidents and at-fault accidents, Hartford Fire violated A.R.S. § 20-263(A).

6 3. By failing to apply at-fault surcharge fees, Hartford Fire violated A.R.S. §
7 20-385(A).

8 4. By failing to provide homeowners at least 30 days notice to remedy the
9 conditions of the premises, Hartford Fire violated A.R.S. § 20-1652(B).

10 5. By issuing specialty lines, commercial package, and commercial
11 automobile policies with premiums developed other than on the basis of its rates and
12 rules filed pursuant to A.R.S. § 20-385(A), Hartford Fire violated A.R.S. § 20-
13 400.01(A).

14 6. By using unfiled rates and rating factors to rate specialty lines,
15 commercial package, and commercial automobile policies, Hartford Fire violated
16 A.R.S. § 20-385(A).

17 7. By making adjustments to full manual premium developed for rating
18 specialty lines, commercial package, and commercial automobile policies without
19 adequate justification for the adjustments, Hartford Fire violated A.R.S. § 20-
20 400.01(B).

21 8. By failing to include sufficient documentation in commercial automobile
22 policy files to enable the Director to determine how it developed the premium, Hartford
23 Fire violated A.R.S. § 20-400.01(B)(2).

24 9. Grounds exist for the entry of the following Order, in accordance with
25 A.R.S. §§ 20-220, 20-400.03, and 20-456.

1 ORDER

2 **IT IS ORDERED THAT:**

3 1. Hartford Fire Insurance Company shall cease and desist from:

4 a. Surcharging policyholders for accidents for which the insureds did
5 not substantially contribute to the accident.

6 b. Failing to notify insureds of a premium increase as a result of an
7 at-fault accident.

8 c. Failing to apply surcharge fees.

9 d. Failing to honor the agent's quote and charging the insureds
10 higher premiums.

11 e. Non-renewing homeowner policies for conditions of the premises
12 without giving the insureds at least 30 days to remedy the conditions of the premises.

13 f. Failing to provide adequate documentation in support of the
14 credits and debits applied to commercial automobile, commercial package, and
15 specialty lines policies.

16 g. Determining the premiums of commercial automobile, commercial
17 package, and specialty lines policies other than on the basis of the rates and rules
18 filed.

19 h. Applying incorrect credits and debits to specialty lines policies.

20 i. Failing to maintain sufficient documentation in commercial
21 automobile files that will enable the Director to verify compliance with Arizona statutes.

22 2. Within 90 days of filed date of this Order, Hartford Fire shall submit to the
23 Arizona Department of Insurance, for approval, evidence that corrections have been
24 implemented and communicated to the appropriate personnel, regarding all of the
25 items listed above in the Paragraph 1 of the Order section of this Consent Order.

1 Evidence of corrective action and communication thereof includes, but is not limited to,
2 memos, bulletins, E-mails, correspondence, procedures manuals, print screens, and
3 training materials.

4 3. Within 90 days of the filed date of this Order, Hartford Fire shall re-open
5 claim #628KAC59251 and pay the collision deductible in the amount of \$100, and pay
6 the medical payments totaling \$5000.00 plus one year's interest at the rate of ten
7 percent per annum.

8 4. Within 90 days of the filed date of this Order, Hartford Fire shall pay
9 \$586.35 in unpaid taxes and license fees plus one year's interest at the rate of ten
10 percent per annum, to the 4 first party total loss claimants listed in Exhibit A.

11 5. Within 90 days of the filed date of this Order, Hartford Fire shall pay
12 \$10,218.00 plus one year's interest at the rate of ten percent per annum for
13 surcharges applied for non-at-fault accidents to the 25 insureds listed in Exhibit B.

14 6. Within 90 days of the filed date of this Order, Hartford Fire shall pay
15 \$580.00 plus one year's interest at the rate of ten percent per annum for incorrect
16 surcharges applied for at-fault accidents to the five insureds listed in Exhibit C.

17 7. Within 90 days of the filed date of this Order, Hartford Fire shall pay
18 \$1,231.00 plus one year's interest at the rate of ten percent per annum for
19 overcharges due to the failure of the Company to honor the agent's quotes to the eight
20 insureds listed in Exhibit D.

21 8. Within 90 days of the filed date of this Order, Hartford Fire shall refund
22 the following overcharge amounts, plus one year's interest at the rate of ten percent
23 per annum.

24 a. \$5,787.00 to the four commercial automobile insureds listed in
25 Exhibit E of this Order.

1 b. \$91.00, to the one specialty lines insured listed in Exhibit F of this
2 Order.

3 9. Each payment made in accordance with Items 3, 4, 5, 6, 7, and 8 above
4 shall be accompanied by a letter of explanation to the insureds in a form previously
5 approved by the Director. A list of payments, giving the name and address of each
6 party paid, the amount of the payment, the amount of interest paid, and the date of
7 payment, shall be provided to the Department within 90 days of the filed date of this
8 Order.

9 10. The Department shall be permitted, through authorized representatives,
10 to verify that Hartford Fire has complied with all provisions of this Order.

11 11. Hartford Fire shall pay a civil penalty of \$15,000 to the Director for
12 deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil
13 penalty shall be provided to the Market Conduct Examinations Section of the
14 Department prior to the filing of this Order.

15 12. The Report of Examination of the Market Conduct Affairs of Hartford Fire
16 dated November 17, 1995, including the letter submitted in response to the Report of
17 Examination, shall be filed with the Department after the Director has filed this Order.

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

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21 Charles R. Cohen
22 Director of Insurance
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EXHIBIT A

FIRST PARTY AUTOMOBILE TOTAL LOSSES

Claim Number Amount

AC60170	\$5.98
AC66332	\$16.62
MD75169	\$550.00
KAC76511	\$13.75
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	\$ 586.35

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EXHIBIT B

PERSONAL AUTOMOBILE

Surcharges for non-at-fault accidents

	Policy #	Overcharge \$
PA	324195	\$ 279
PA	324195	\$ 345
PA	324195	\$ 1,789
PA	324195	\$ 2,172
PA	324195	\$ 2,463
PJ	956337	\$ 225
PJ	956337	\$ 209
PJ	956337	\$ 282
PJ	956337	\$ 288
PJ	956337	\$ 388
PJ	956337	\$ 412
PW	334248	\$ 120
PW	333288	\$ 54
PW	327574	\$ 43
PW	327574	\$ 79
PN	334271	\$ 48
PW	334169	\$ 96
PW	322850	\$ 231
PW	588222	\$ 66
PN	336885	\$ 186
PJ	318287	\$ 121
PJ	318287	\$ 134
PW	323212	\$ 77
PA	335071	\$ 28
PW	327463	\$ 83
Total:		\$ 10,218

**EXHIBIT C
PERSONAL AUTOMOBILE
Incorrect Surcharges for at-fault accidents**

	Policy #	Overcharge
PN	335404	\$ 198.00
PW	326880	\$ 176.00
PN	334960	\$ 118.00
PJ	331463	\$ 62.00
PJ	331463	\$ 26.00

Total: \$ 580.00

**EXHIBIT D
PERSONAL AUTOMOBILE
Failure to honor agent's quote**

	Policy #	Overcharge
PW	335444	\$ 51
PW	329319	\$ 162
PA	330336	\$ 178
PW	334141	\$ 129
PW	331837	\$ 60
PW	325379	\$ 113
PA	338188	\$ 318
PW	328448	\$ 220

\$ 1,231

**EXHIBIT E
COMMERCIAL AUTOMOBILE**

	Policy #	Overcharge
HL8507		\$ 2,354.00
HL6693		\$ 1,119.00
HL8507		\$ 1,968.00
HL8507		\$ 346.00

Total: \$5,787.00

**EXHIBIT F
SPECIALTY LINES**

	Policy #	Overcharge
QR1413		\$ 91.00

Total: \$ 91.00

CONSENT TO ORDER

1. Hartford Fire Insurance Company has reviewed the foregoing Order.

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

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

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

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

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

HARTFORD FIRE INSURANCE COMPANY

3/7/01

Date

By: George Klotzbaugh

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

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4
5 Sara Begley
6 Deputy Director
7 Mary Butterfield
8 Assistant Director
9 Consumer Affairs Division
10 Paul J. Hogan
11 Chief Market Conduct Examiner
12 Market Conduct Examinations Division
13 Deloris E. Williamson
14 Assistant Director
15 Rates & Regulations Division
16 Steve Ferguson
17 Assistant Director
18 Financial Affairs Division
19 Alexandra Shafer
20 Assistant Director
21 Life & Health Division
22 Nancy Howse
23 Chief Financial Examiner
24 Terry L Cooper
25 Fraud Unit Chief

DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210
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Sheila C. Ward, Regulatory Compliance Director
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