

STATE OF ARIZONA

DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS

In the Matter of:

No. 23A- 030 -INS

**HARTFORD UNDERWRITERS INSURANCE
COMPANY (NAIC CoCode 30104);**

CONSENT ORDER

**PROPERTY AND CASUALTY INSURANCE
COMPANY OF HARTFORD (NAIC CoCode 34690);**

**TRUMBULL INSURANCE COMPANY (NAIC CoCode
27120);**

**TWIN CITY FIRE INSURANCE COMPANY (NAIC
CoCode 29459);**

**HARTFORD CASUALTY INSURANCE COMPANY
(NAIC CoCode 29424); and**

**HARTFORD INSURANCE COMPANY OF THE
SOUTHEAST (NAIC CoCode 38261)**

One Hartford Plaza
Hartford, CT 06155-0001

Respondents.

The Arizona Department of Insurance and Financial Institutions (“Department”) alleges that Hartford Underwriters Insurance Company, Property and Casualty Insurance Company of Hartford, Trumbull Insurance Company, Twin City Fire Insurance Company, Hartford Casualty Insurance Company, and Hartford Insurance Company of the Southeast (“Respondents” or “Hartford”) violated provisions of Title 20, Arizona Revised Statutes (“A.R.S.”). Respondents wish to resolve this matter without the commencement of formal proceedings, and admit the following Findings of Fact are true, and consent to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1
2 1. Hartford Underwriters Insurance Company is a Connecticut domiciled company. The
3 Department issued a certificate of authority to the company on July 1, 1988.

4 2. Property and Casualty Insurance Company of Hartford is an Indiana domiciled company.
5 The Department issued a certificate of authority to the company on February 17, 2000.

6 3. Trumbull Insurance Company is a Connecticut domiciled company. The Department issued
7 a certificate of authority to the company on December 30, 1986.

8 4. Twin City Fire Insurance Company is an Indiana domiciled company. The Department
9 issued a certificate of authority to the company on June 22, 1987.

10 5. Hartford Casualty Insurance Company is an Indiana domiciled company. The Department
11 issued a certificate of authority to the company on July 1, 1987.

12 6. Hartford Insurance Company of the Southeast is a Connecticut domiciled company. The
13 Department issued a certificate of authority to the company on August 17, 2018.

14 7. On or about December 14, 2021, the Department received a complaint from an Arizona
15 consumer alleging that upon cancellation of her private passenger auto (“PPA”) policy with Trumbull
16 Insurance Company, she received an “Automobile Insurance Bill” in the amount of \$134.42. Upon
17 further inquiry about the bill, Trumbull Insurance Company advised the complainant that “pursuant to
18 [her] policy, this fee is an expense fee for writing, insuring and servicing [her] policy.” The complainant
19 alleged that Trumbull Insurance Company failed to disclose that the expense fee that was charged in
20 installments over the term of the policy would become due in full at the time the policy was cancelled.

21 8. The Department commenced an investigation into this matter. The investigation included,
22 *inter alia*, a review of the complaint, Trumbull’s policy documents and disclosures to the
23 applicants/insureds (including the quotes, contracts and endorsements, declarations pages, billing
24 statements, and renewal notices), and the company’s electronic rate, rule, and form filings through
25 SERFF. The Department’s investigation determined the following:

- 1 a) Trumbull, under its rate-related rule, effective September 18, 2014, through July 16, 2021
2 (the “September 2014 Rule”), charged an expense fee for all of its PPA policies. The expense
3 fee was represented as part of the customer’s premium. Consistent with this representation,
4 Trumbull refunded the expense fee on a pro-rata basis if the policy was cancelled by the
5 policyholder prior to the end of the policy period.
- 6 b) On July 17, 2021, Trumbull implemented a new rate-related rule (the “July 2021 Rule”). The
7 July 2021 Rule allowed for the expense fee to be fully earned at the time the policy was issued
8 or renewed. Trumbull, however, failed to clearly identify and fully disclose the expense fee
9 to consumers and policyholders. Trumbull represented this fee as part of the premium. If,
10 however, a policyholder cancelled the policy midterm, Trumbull did not treat the expense fee
11 as a premium, which would be subject to a pro-rata refund, but charged the policyholder the
12 full amount of the expense fee at the time the policy was issued or renewed. Trumbull failed
13 to disclose the expense fee as a separate charge from the policy’s premium, and also failed to
14 disclose that the expense fees are non-refundable and considered fully earned at the time of
15 inception and renewal of the policy.
- 16 c) On or about August 2, 2022, the Department met with Hartford’s representatives and
17 discussed Trumbull’s lack of compliance by failing to disclose the expense fee to consumers.
18 Hartford identified the member companies within the Harford Group that engaged in this
19 non-compliant practice. Hartford committed to investigate the extent of the noncompliance
20 and to provide notice to its consumers that the expense fee is fully earned at the time the
21 policy is initiated or renewed and the unpaid balance becomes due at the time the policy is
22 cancelled. Further, Hartford committed to providing to the Department detailed information
23 regarding all policies for which Hartford applied the July 2021 Rule and kept the full amount
24 of the expense fees at the inception of the policy term.

- 1 d) On or about August 12, 2022, in response to the August 2nd discussion, Hartford provided a
2 list of the member companies that implemented the July 2021 Rule and retained the full
3 expense fee without proper disclosure.
- 4 e) On or about August 18, 2022, the Department sent a Request for Information (“RFI”) to
5 Hartford requesting information regarding the total impact of the July 2021 Rule on Arizona
6 consumers. The Department requested all applicable SERFF filing numbers, and
7 Respondents’ plans to calculate and process refunds to those policyholders who were charged
8 the expense fee at the inception or renewal of each policy without disclosure of the expense
9 fees.
- 10 f) On or about September 19, 2022, Hartford sent a letter to the Department stating that:
- 11 ● Hartford decided to revert to its earlier September 2014 Rule of refunding expense fees
12 on a pro-rata basis when a policy is cancelled midterm. Per Hartford, the anticipated
13 implementation date of the September 2014 Rule was at the end of 2022. In addition,
14 Respondents committed that all policyholders impacted by the expense fee retention
15 practice under the July 2021 Rule would have their cancellations recalculated and any
16 unearned expense fees refunded.
 - 17 ● Hartford conducted an internal audit and provided the Department with a list of its
18 member companies that implemented the July 2021 Rule. From July 17, 2021, to July
19 31, 2022, an estimated 7,636 Arizona policyholders were impacted by the July 2021 Rule.
 - 20 ● Hartford commenced a manual review of all Arizona policies sent to collection from July
21 17, 2021, to July 31, 2022, solely due to the unpaid expense fees. Hartford further
22 confirmed that during the same time frame, it received twenty (20) complaints from
23 policyholders related to insufficient premium refunds upon insured-requested policy
24 cancellations.

- 1 g) On or about October 27, 2022, Hartford informed the Department that it will revert to the
2 September 2014 Rule on December 17, 2022. Hartford further informed the Department that
3 any expense fees charged for an Arizona auto policy that was cancelled midterm at the
4 insured's request on or after December 18, 2022, will be refunded pro-rata. Hartford
5 committed to finalizing the list of impacted Arizona policyholders, and organizing the
6 recovery/refund process by January of 2023. Respondents estimated the recovery process to
7 issue refunds of the pro-rata expense fees would commence by February 1, 2023.
- 8 h) On or about December 17, 2022, Respondents implemented new rate-related rules to revert
9 to the September 2014 Rule of refunding the expense fees on a pro-rata basis.
- 10 i) On or about February 1, 2023, Respondents provided an update on their remediation efforts
11 with an initial list of impacted policies for Hartford Insurance Company of the Southeast and
12 advised that it was still working on the refund calculations. Hartford provided a copy of the
13 final recovery notice that included the Department's suggested revisions to be sent to the
14 impacted policyholders. Respondents identified 616 policies that were cancelled at the
15 insured's request and sent to collections.
- 16 j) On or about March 24, 2023, Respondents provided the final impact lists for each Hartford
17 company member, which showed \$749,605.53 in total refunds (including \$86,467.53 in
18 statutory interest) that were issued to 8,799 impacted policyholders on or about February 23,
19 2023, and March 15, 2023. Further, Respondents confirmed that programming to return to
20 the prior practice of refunding the expense fee pro-rata was completed in November 2022 for
21 Hartford Insurance Company of the Southeast, and in December 2022 for Hartford
22 Underwriters Insurance Company, Property and Casualty Insurance Company, Trumbull
23 Insurance Company, Twin City Fire Insurance Company, and Hartford Casualty Insurance
24 Company.

CONCLUSIONS OF LAW

9. The Director has jurisdiction over this matter.

10. The Director has authority to conduct examinations and investigations of insurance matters and to request the accounts, records, documents, files, assets and matters in the person’s possession or control pursuant to A.R.S. §§ 20-142(C) and 20-157(A).

11. Respondents’ conduct, as described above, constitutes misrepresenting the terms of any policy issued or to be issued or the benefits or advantages promised or the dividends or share of the surplus to be received. A.R.S. § 20-443(A)(1).

12. Grounds exist for the Director to impose a civil penalty not to exceed one thousand dollars (\$1,000.00) for each violation and not to exceed an aggregate penalty of ten thousand dollars (\$10,000.00) within any six-month period for unintentional violations. A.R.S. § 20-220(B).

ORDER

IT IS ORDERED:

13. Respondents, jointly and severally, shall immediately pay a civil money penalty in the amount of **thirty thousand dollars (\$30,000.00)**.

14. Respondents shall update their policies to fully disclose any changes Respondents make in the future of how expense fees will be refunded.

DATED AND EFFECTIVE this 26th day June, 2023.

Barbara D. Richardson

Barbara D. Richardson, Director
Department of Insurance and Financial Institutions

CONSENT TO ORDER

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2 1. Respondents acknowledge that they have been served with a copy of the foregoing
3 Consent Order in the above-referenced matter, have read it, are aware of their right to an administrative
4 hearing in this matter and have knowingly and voluntarily waived that right.

5 2. Respondents accept the personal and subject matter jurisdiction of the Department over
6 them in this matter.

7 3. Respondents acknowledge that no promise of any kind or nature has been made to induce
8 them to sign the Consent to Order and they have done so knowingly and voluntarily.

9 4. Respondents acknowledge and agree that the acceptance of this Consent to Order by the
10 Director is solely to settle this matter and does not preclude the Department from instituting other
11 proceedings as may be appropriate now or in the future. Furthermore, and notwithstanding any language
12 in this Consent Order, this Consent Order does not preclude in any way any other state agency or officer
13 or political subdivision of this state from instituting proceedings, investigating claims, or taking legal
14 action as may be appropriate now or in the future relating to this matter or other matters concerning
15 Respondents, including but not limited to violations of Arizona’s Consumer Fraud Act. Respondents
16 acknowledge that, other than with respect to the Department, this Consent Order makes no
17 representations, implied or otherwise, about the views or intended actions of any other state agency or
18 officer or political subdivision of the state relating to this matter or other matters concerning
19 Respondents.

20 5. Respondents acknowledge and agree that failure to correct the violations set forth above
21 in this Consent Order, or any repeat findings of the above violations in the future, can result in
22 disciplinary action which may include a greater civil money penalty and suspension or revocation of
23 their certificates of authority.

24 6. Michael Ross Fisher represents that he is the President for these members of the Hartford
25 Fire & Casualty Group, and, as such, is authorized to enter into this Consent Order on behalf of Hartford

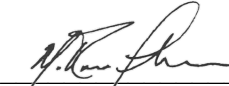
1 Underwriters Insurance Company, Property and Casualty Insurance Company of Hartford, Trumbull
2 Insurance Company, Twin City Fire Insurance Company, Hartford Casualty Insurance Company, and
3 Hartford Insurance Company of the Southeast.

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Hartford Fire & Casualty Group

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6 May 24, 2023



Date

Michael Ross Fisher, President

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1 **COPY** of the foregoing transmitted electronically
this 26th day of June, 2023, to:

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3 Hartford Fire & Casualty Group and
4 Michael Ross Fisher, President
5 Attn: Leigh Ann Butler, Assistant Director
6 One Hartford Plaza
7 Hartford, CT 06155-0001
8 leigh.homan@thehartford.com
9 Respondent(s)

10 **COPY** of the foregoing delivered and/or emailed same date to:

11 Deian Ousounov, Assistant Director
12 Gio Espinosa, Regulatory Legal Affairs Officer
13 Kurt Regner, Assistant Director
14 Maria Ailor, Assistant Director
15 Cheryl Hawley, Senior Market Analyst
16 Erin Klug, Assistant Director
17 Ana Starcevic, Paralegal
18 Arizona Department of Insurance and Financial Institutions
19 100 North 15th Avenue, Suite 261
20 Phoenix, AZ 85007

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Ana Starcevic
