

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

The Travelers Home and Marine Insurance Company
Authority # 27998-19-HO-703

The Standard Fire Insurance Company
Authority # 19070-19-HO-704

Travelers Commercial Insurance Company
Authority # 36137-19-HO-705

The Travelers Indemnity Company of America
Authority # 25666-19-HO-706

One Tower Square, MS21A
Hartford, CT USA 06183

As of

March 31, 2019

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF THE

**The Travelers Home and Marine Insurance Company
The Standard Fire Insurance Company
Travelers Commercial Insurance Company
The Travelers Indemnity Company of America**

AS OF

March 31, 2019

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 28th day of January, 2020.

Trinidad Navarro

Trinidad Navarro
Insurance Commissioner

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of March 31, 2019 on

**The Travelers Home and Marine Insurance Company
The Standard Fire Insurance Company
Travelers Commercial Insurance Company
The Travelers Indemnity Company of America**

is a true and correct copy of the document filed with this Department.

Attest By:



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 28 day of January, 2020.

Trinidad Navarro
Insurance Commissioner

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Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Numbers 27998-19-HO-703, 19070-19-HO-704, 36137-19-HO-705 and 25666-19-HO-706 and pursuant to statutory provisions including 18 *Del. C.* §§318-322, a Market Conduct Examination has been conducted of the affairs and practices of:

The Travelers Home and Marine Insurance Company – NAIC #27998
The Standard Fire Insurance Company - NAIC #19070
Travelers Commercial Insurance Company – NAIC #36137
The Travelers Indemnity Company of America – NAIC #25666

The examination was performed as of March 31, 2019.

The examination consisted of an off-site phase, performed at the offices of the Delaware Department of Insurance (hereinafter referred to as the Department) or other suitable locations. The companies listed above are hereinafter collectively referred to as Travelers Companies or the Company unless otherwise noted.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

Travelers Property Casualty Corp., a direct, wholly-owned subsidiary of The Travelers Companies, Inc., is a property-casualty insurance holding company engaged, through its subsidiaries, in two business segments: Business Insurance and Personal Lines. Their following subsidiaries were reviewed: The Travelers Home and Marine Insurance Company, The Standard Fire Insurance Company, Travelers Commercial Insurance Company and Travelers Indemnity Company of America.

This was a desk audit focusing on the Travelers Companies' activities related to its Personal Lines Property line of business in the following areas of operation: Complaint Handling, Underwriting and Rating, and Claims Handling. The examination period was January 1, 2017 through March 31, 2019.

Special emphasis was placed on reviewing the steps involved in determining the Dwelling Coverage amount selected by the customer and the use of any Inflation Protection coverage provisions. This is discussed in the Underwriting and Rating section of this report. The following exceptions were noted during the review of Underwriting and Rating, and Claims Handling.

1 Exception: 18 Del. C. §4122 Notification and reasons for declination or termination

(b) A notice of cancellation of property insurance coverage by an insurer shall be in writing, shall be delivered to the named insured or mailed to the named insured at the last known address of the named insured, shall state the effective date of the cancellation and shall be accompanied by a written explanation of the specific reasons for the cancellation. Proof of mailing of such cancellation notice shall be retained by the insurer for a period of not less than 1 year.

The Travelers Home and Marine Insurance Company did not provide a Cancellation notice for one terminated policy.

6 Exceptions: 18 Del. Admin. C. §902 Prohibited Unfair Claim Settlement Practices

1.2.1.5 Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.

It was noted in six paid claims included in the sample that neither a coverage decision was provided within 30 days nor was a reason why such decision could not be made documented.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 *Del. C.* §§318 - 322 and covered the experience period of January 1, 2017 through March 31, 2019. The purpose of the examination was to determine compliance by the Company with applicable Delaware laws and regulations.

The examination was a targeted market conduct examination of the Company's personal lines property book of business in the following areas of operation: Complaint Handling, Underwriting and Rating, and Claims.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiner's report on the errors found in individual files, the examination also focuses on general business practices of the Travelers Companies.

The Company identified the universe of files for each segment of the review. Based on the universe sizes, random sampling was utilized to select the files reviewed during this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables company management to review these areas of concern in order to determine the potential impact upon company operations or future compliance.

Throughout the course of the examination, company officials were provided status memoranda, which referenced specific policy and/or claim numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. Written summaries were provided to the Company on the exceptions found. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and to review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

Travelers Property Casualty Corp., a direct, wholly-owned subsidiary of The Travelers Companies, Inc., is a property-casualty insurance holding company engaged, through its

subsidiaries, in two business segments: Business Insurance and Personal Lines.

On April 2, 1996, Travelers Property Casualty Corp. purchased the property and casualty business of The Aetna Casualty and Surety Company and its property-casualty affiliates.

On April 1, 2004 Travelers Property Casualty Corp. merged with The St. Paul Companies and became known as The St. Paul Travelers Companies, Inc.

On February 26, 2007 The St. Paul Travelers Companies, Inc. changed its name to The Travelers Companies, Inc.

The Travelers Home and Marine Insurance Company was incorporated on July 24, 1991 and commenced business on June 2, 1992 under the laws of Indiana. The company re-domesticated to the State of Connecticut effective January 1, 1999. The company is wholly owned by The Travelers Indemnity Company, a wholly-owned subsidiary of Travelers Insurance Group Holdings Inc., a wholly-owned subsidiary of Travelers Property Casualty Corp. According to its 2018 Annual Statement filed with the Department, the Travelers Home and Marine Insurance Company reported Homeowners Multiple Peril direct written premium in Delaware in the amount of \$8,284,831.

The Standard Fire Insurance Company was incorporated on July 6, 1905 and commenced business on March 26, 1910 under the laws of Connecticut. The company is wholly owned by Travelers Insurance Group Holdings Inc., a wholly-owned subsidiary of Travelers Property Casualty Corp.

According to its 2018 Annual Statement filed with the Department, the Standard Fire Insurance Company reported Homeowners Multiple Peril direct written premium in Delaware in the amount of \$2,717,483.

Travelers Commercial Insurance Company was incorporated on January 3, 1990 and commenced business on January 12, 1990 under the laws of Connecticut. The company was formerly known as Aetna Commercial Insurance Company. The company is wholly owned by Travelers Casualty and Surety Company, a wholly-owned subsidiary of Travelers Insurance Group Holdings Inc., a wholly-owned subsidiary of Travelers Property Casualty Corp.

According to its 2018 Annual Statement filed with the Department, the Travelers Commercial Insurance Company reported Homeowners Multiple Peril direct written premium in Delaware in the amount of \$1,045,957.

The Travelers Indemnity Company of America was incorporated on January 2, 1946 and commenced business on May 1, 1946 under the laws of Georgia. The company re-domesticated to the State of Connecticut effective July 1, 1997. The company is wholly owned by The Phoenix Insurance Company, a wholly-owned subsidiary of The Travelers Indemnity Company, a wholly-owned subsidiary of Travelers Insurance Group Holdings Inc., a wholly-owned subsidiary of Travelers Property Casualty Corp.

According to its 2018 Annual Statement filed with the Department, the Travelers Indemnity Company of America reported Homeowners Multiple Peril direct written premium in Delaware in the amount of \$218,687.

COMPLAINT HANDLING

The Company was asked to provide a listing of all complaints pertaining to personal lines property during the examination period of January 1, 2017 through March 31, 2019. The Company was asked to include complaints received from the Delaware Department of Insurance, as well as complaints made directly to the Company on behalf of Delaware consumers. The Company provided a list of 13 total complaints that included six DOI complaints.

All 13 complaints were received and reviewed for compliance with the appropriate Delaware Statutes and Regulations. The complaint log was also reviewed for compliance with 18 *Del. C.* §2304 (17). Complaint files involving claims were reviewed for compliance with 18 *Del. C.* §2304 (26) and 18 *Del. Admin. C.* 902 §1.2.1.2. The files were also reviewed for compliance with the NAIC Market Regulation Handbook Standards in Chapter 16.

No exceptions were noted.

The Company's Complaint Handling guidelines and procedures were also reviewed, and these were found sufficient.

UNDERWRITING AND RATING

The examination of Underwriting and Rating was conducted and performed in accordance with the laws and regulations of the state of Delaware and the Delaware Department of Insurance. The Company provided copies of its Homeowners Underwriting and Rating Manuals, along with notices issued to insureds that pertain to credit information, deductibles, forms, endorsements and disclosures used for the examination period. These were reviewed and no exceptions were noted. Delaware Department of Insurance approvals were requested on 12 endorsements, and the approvals were provided.

New Business Policies

The examiners were provided a total universe of 3,482 Homeowners policies. A sample of 115 policies was selected according to the NAIC Market Coordinators Handbook guidelines. Examination of the underwriting and rating files was performed to verify the Company's compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards in Chapters 16 & 17.

The rate testing consisted of manual rating to ensure the amount of premium being generated by the Company's computer system is in accordance with the Company's filed

and approved rates. This process involved the use of rating worksheets with algorithms matching the rating manuals. Due to the complexity and time-consuming nature of manually rating, the selections were reduced to 10 randomly selected policies to be tested for rating accuracy. The Company agreed that should there be any inconsistencies noted, additional policies may be requested for testing. The examiners were able to test and verify the rating of the policies in accordance with the Company's filed and approved rates.

No exceptions were noted during review.

Renewal Policies

The examiners were provided a total universe of 22,094 Homeowners policies. A sample of 116 policies was selected according to the NAIC Market Coordinators Handbook guidelines. Examination of the underwriting and rating files was performed to verify the Company's compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards in Chapters 16 & 17.

Like with New Business, the rate testing consisted of manual rating to ensure the amount of premium being generated by the Company's computer system is in accordance with the Company's filed and approved rates. This process involved the use of rating worksheets with algorithms matching the rating manuals. Due to the complexity and time-consuming nature of manually rating, the selections for personal property were reduced to 10 randomly selected policies to be tested for rating accuracy. The Company agreed that should there be any inconsistencies noted, additional policies may be requested for testing. The examiners were able to test and verify the rating of personal property policies in accordance with the Company's filed and approved rates.

No exceptions were noted during review.

Terminated Policies

The Company provided a total universe of 356 Homeowners policies that were terminated during the examination period. A sample of 84 policies was selected according to the NAIC Market Coordinators Handbook guidelines. Examination of the underwriting files was performed to verify the Company's compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards in Chapters 16 & 17.

All 84 files were reviewed to determine compliance with applicable Delaware laws and regulations.

The following exception was noted.

1 Exception: 18 Del. C. §4122(b) Notification and reasons for declination or termination

The Travelers Home and Marine Insurance Company did not provide a Cancellation

notice for one terminated policy.

Recommendation: It is recommended that the Company provide additional training to ensure Termination letter compliance with 18 *Del. Admin. C.* §4122(b).

Declined Business

The Company identified a total of 331 declined business transactions for the experience period of January 1, 2017, through March 31, 2019. A random sample of 84 declined business files was requested. All of the declinations requested were performed through the Company's direct-to-consumer distribution channel over the phone. For this business, the Company verbally advises the customer of the reason(s) for the declination based on company underwriting and eligibility guidelines. There are established "Decline Reasons" and the wording and/or description to use. Also, procedures as to when a file needs to be created and if a Decline Letter should be sent to the prospective customer were reviewed.

Of the random sample of 84, 51 declined business files were received by the Examiners. The remaining 33 had no file since the reason for the declinations did not qualify for a file creation, however, the reason for the denial and all relevant information was logged. The examiners reviewed the rationale behind this dual-approach.

The 51 files and the 33 without a file were reviewed to verify the Company's compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards in Chapters 16 & 17.

No exceptions were noted during review.

Inflation Protection

Special emphasis was placed on reviewing the steps involved in determining the Dwelling Coverage amount selected by the customer and the use of any Inflation Protection coverage provisions. The examiners were provided with these steps and our synopsis follows.

For Homeowners and Fire policies, a replacement cost estimate is developed based on the dwelling features and characteristics obtained from the customer and utilization of the CoreLogic system. This estimate is reviewed with the customer and they select a coverage limit equal to the replacement cost estimate, or, if requested, higher than the estimate. Travelers Homeowner new business eligibility stipulates that dwellings must be insured to 100% replacement cost.

Any CoreLogic replacement cost estimate can be reconciled with the declaration page and the application. If the customer opts to increase coverage above the CoreLogic replacement cost estimate, the dwelling coverage above the Declaration page can be reconciled directly with the application.

Inflation Protection Coverage is automatically applied to each annual renewal, using CoreLogic for the percentage of adjustment. These percentages may increase, decrease or stabilize as determined by CoreLogic and the Consumers Price Index. In the event a negative inflation percentage is determined by CoreLogic and the Consumers Price Index, Coverage A will remain the same for the next renewal.

The Travelers Companies do not automatically reduce coverage on a policy nor apply any additional factors, internally or externally, to the replacement cost value provided by CoreLogic.

When a customer elects to insure their property above the replacement cost, Inflation Protection Coverage is not applied at renewal to risks exceeding the estimated replacement cost by 50% or greater. Dwellings with coverage limits exceeding the replacement cost by 50% or greater are underwritten to determine the reason for the higher limit.

The Travelers Companies provide within the renewal offer to an insured the inflation percentage amount and advises the insured to call if they feel the level of coverage is not appropriate.

CLAIMS HANDLING

The examination of claims was conducted and performed in accordance with the laws and regulations of the state of Delaware and the Delaware Department of Insurance. The Travelers Companies provided the requested claim file documents and their procedures and reference materials related to the handling of claims used for the examination period. These were reviewed and found appropriate.

The Company provided a list of Paid Claims and Not Paid claims. All claims in the sample were reviewed for compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards in Chapters 16 & 17.

Paid Claims

The Company was requested to provide a listing of all Paid Claim files during the examination period of January 1, 2017 through March 31, 2019. A universe of 1,136 files was provided to the Examiners. A random sample of 107 files was requested and provided to the Examiners for review. The Examiners reviewed all 107 files for compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards Chapter 16 & 17 and noted the following exceptions:

The following exceptions were noted.

6 Exceptions: 18 Del. Admin. C. §902 Prohibited Unfair Claim Settlement Practices

Of the six Exceptions noted, four were attributed to the Standard Fire Insurance Company, one to The Travelers Home and Marine Insurance Company and one to The Travelers Indemnity Company of America. They failed to provide a coverage decision within 30 days or provide a reason why such decision could not be made in six paid claims.

Recommendation: It is recommended that the Company provide additional training to ensure compliance with 18 Del. Admin. C. §902 1.2.1.5.

Denied/Not Paid Claims

The Company was requested to provide a list of all Denied/Not Paid Claim files during the examination period of January 1, 2017 through March 31, 2019. A universe of 742 files was provided to the Examiners. A sample of 105 files were requested by the Examiners for review. This initial sample did not contain enough Denied Claims, so a separate limited list of 30 was requested and provided. The Company provided the sample files of 105 Claims Closed Without Payment and the 30 Denied Claims files for review. The Examiners reviewed all 135 files for compliance with all Delaware Statutes and Regulations and the NAIC Market Regulation Handbook Standards in Chapters 16 & 17

There were no exceptions.

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. C.* §4122(b). (Underwriting and Rating)
2. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* §902 1.2.1.5. (Claims Handling)

The examination conducted by Joe Krug, Mark Plesha, James Hartsfield and Bradley Shoop is respectfully submitted.



Mark Plesha, CPCU, AIE, MCM,
CWCP, AIS, IR
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance