

DELAWARE DEPARTMENT OF INSURANCE  
MARKET CONDUCT EXAMINATION REPORT

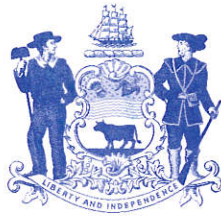
Travelers Commercial Insurance Company

NAIC # 36137  
Examination Authority #36137-13.780  
One Tower Square, 5 MS  
Hartford, CT 06183

As of

December 31, 2012

Karen Weldin Stewart, CIR-ML  
Commissioner



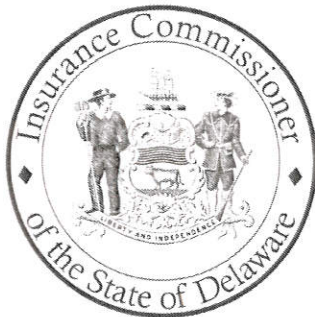
Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2012 on

**Travelers Commercial Insurance Company**

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

Attest By: Synda Nemes



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

  
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Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

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Commissioner



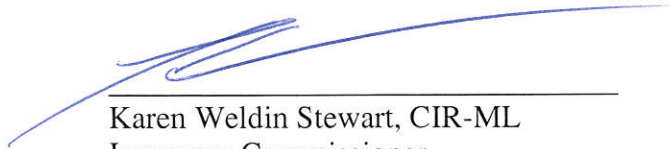
Delaware Department of Insurance

REPORT ON EXAMINATION  
OF THE  
**Travelers Commercial Insurance Company**  
AS OF  
December 31, 2012

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.



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Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

## Table of Contents

EXECUTIVE SUMMARY .....	2
SCOPE OF EXAMINATION.....	2
METHODOLOGY .....	2
COMPANY HISTORY .....	4
COMPANY OPERATIONS AND MANAGEMENT .....	4
CONSUMER COMPLAINTS.....	5
CLAIMS .....	5
CONCLUSION.....	7

Honorable Karen Weldin Stewart CIR-ML  
Insurance Commissioner  
State of Delaware  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioner Stewart:

In compliance with the instructions contained in Certificate of Examination Authority Number 13.727, and pursuant to statutory provisions including 18 Del. CODE §318-322, a market conduct examination has been conducted of the affairs and practices of:

**Travelers Commercial Insurance Company**

The examination was performed as of December 31, 2012. Travelers Commercial Insurance Company, hereinafter referred to as the "Company", was incorporated under the laws of Connecticut. The examination consisted of two phases, an on-site phase and an off-site phase. The on-site phase of the examination was conducted at the following Company location:

One Tower Square  
Hartford, CT 06183

The off-site examination phase was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations.

The report of examination herein is respectfully submitted.

## **EXECUTIVE SUMMARY**

Travelers Commercial Insurance Company, is domiciled in Connecticut and is licensed in all 50 states and the District of Columbia. The Company's main administrative offices are located in Hartford, CT.

On their 2012 annual statement filed with the Department, the Travelers Commercial Insurance Company reported total premiums written for all states of \$91,158,725 of which \$3,855,270 was written in Delaware. In 2011 total premiums were \$89,193,264 of which \$3,769,711 was written in Delaware.

The examination focused on the Company's private passenger automobile business in the following areas of operation: Company Operations and Management; Complaint Handling. Specifically, this examination focused on the Company's claims activities related to the use of independent medical examiners, peer review organizations, arbitration, and the application of surcharges following a claim.

This effort was conducted to ensure compliance with transacting insurance as defined by 18 Del. C. §103, and applicable statutes related to private passenger automobile insurance.

There were no exceptions noted in the areas of operation reviewed. During the course of the examination, the Company identified an issue where policies could receive both a tier increase and a surcharge. After a substantial review of this issue, it was determined that no policies were in violation of Delaware laws.

## **SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. CODE §318-322 and covered the experience period of January 1, 2011 through December 31, 2012. This examination was part of a series of examinations conducted to review the use of independent medical examiners, peer review organizations, arbitration and surcharges after an at-fault accident.

The examination was a target market conduct examination of the Company's private passenger automobile business in the following areas of operation: Company Operations and Management; Complaint Handling, 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 examiners' report on the errors found in individual files, the examination also focuses on general business practices of the Company.

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 numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and review written summaries provided on the exceptions found.

## **COMPANY HISTORY AND PROFILE**

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.

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: Commercial Lines 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 Company is licensed in all states and the District of Columbia, and recorded \$3,148,662 in private passenger automobile premiums for Delaware as of December 31, 2012, and \$3,165,136 as of December 31, 2011. Travelers is licensed in all 50 states. In DE Travelers is licensed to sell property and casualty, surety, vehicle, marine, liability, theft, glass, boiler and machinery, workers compensation, leakage and fire equipment, and malpractice insurance.

## **COMPANY OPERATIONS AND MANAGEMENT**

### **Internal Audit**

The Company provided information and documentation related to internal audits and internal market regulation/conduct audit reviews. Included with the requests were regulatory actions and court actions taken against the Company and Market Conduct Examination Reports. All reports covered the three years prior to December 31, 2012. The requested information and supporting documentation was provided by the Company and reviewed during the course of the examination. There were no audits performed by the Company in the areas under review by the examination.

There were no exceptions or concerns noted as a result of the review.

## **CONSUMER COMPLAINTS**

The Company identified three consumer complaints made directly to the Company during the experience period. All three complaint files were reviewed. The Company also provided complaint logs as requested.

The complaint log was reviewed for compliance with 18 Del. C. §2304 (17). This Section of the Code requires maintenance of a complete record of all complaints received since the date of its last examination. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with 18 Del. Admin. Code 902 §1.2.1.2.

There were no exceptions noted during the review.

## **CLAIMS**

### **Independent Medical Examinations**

The Company provided all claims related procedures, reference materials, newsletters, and bulletins utilized during the scope of the examination.

The Company also provided a listing of 23 Independent Medical Examination claims. The claims were reviewed for compliance with 18 Del. C. §2304 Unfair Practices in the Insurance Business.

No exceptions were noted.



### **Peer Review Organizations**

The Company advised there were no claims that went through peer review during the exam period.

No exceptions were noted.

### **Arbitration**

The Company identified three claims where arbitration was completed during the exam period. The three files were reviewed by the examination team.

No exceptions were noted.

### **Surcharges**

The Company provided copies of surcharge plans in use during the examination period. The Company also provided copies of surcharge algorithms and a listing of policies for which surcharges were added after a claim. The Company identified a universe of 2,189 policies where surcharges were added after an at fault claim of which a sample of 50 policies were selected for review.

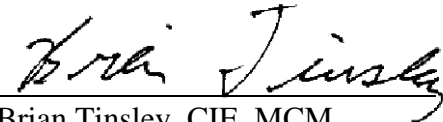
During the examination, the company self-reported some instances where premium increased due to a tier change and surcharge in violation of *18 Del. Admin 609 Limitations on Automobile Surcharges in Voluntary Markets and the Assigned Risk Plan § 5.1.5*. No insurer shall use any surcharge program which results in an insured being both assessed a percentage charge or dollar amount and placed in a higher pricing tier arising from the same accident or violation. This limitation does not apply if the insurer would be permitted under State law to cancel or non-renew the insured. In 2010 Travelers made modifications to their Quantum Auto rating plan which resulted in surcharges and a higher pricing tier both being applied to premium for same accident. The Company identified a total of 377 impacted files, four of which were included in the examiner's sample.

The Company reported that they voluntarily submitted a filing with the Department to remove the tier surcharges and system modifications were implemented on January 24, 2014. The Company proposes issuing a premium credit for policies that have been overcharged in the policy years 2012 and 2013. If the policy lapsed within these years, a refund check would be sent to the last known address of record. A copy of this proposal has been submitted to the Department for review. The Company should continue to pursue additional discussion with the Delaware Department of Insurance to bring resolution to any credits due to the policies impacted by this issue.

**CONCLUSION**

There were no exceptions noted during the course of this examination. It is acknowledged that the Company is in the process of resolving any credits determined to be owed to consumers as a result of the tier movement and surcharge issue previously noted during calendar years 2012 and 2013 and improvements to their system have been made to correct the error going forward.

The examination conducted by Shelly Schuman, Brian Tinsley, Ron Poplos, and Jason Nemes is respectfully submitted.



Brian Tinsley, CIE, MCM  
Examiner-in-Charge  
Market Conduct  
Delaware Department of Insurance