

**IN THE DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION  
STATE OF MISSOURI**

*In Re:* )  
 )  
**HARTFORD INSURANCE COMPANY OF ) Market Conduct Exam No. 1104-34-TGT**  
**THE MIDWEST (NAIC # 37478) )**

**ORDER OF THE DIRECTOR**

NOW, on this 3<sup>rd</sup> day of May, 2016, Director John M. Huff, after consideration and review of the market conduct examination report of Hartford Insurance Company of the Midwest (NAIC #37478) (hereafter referred to as “Hartford Midwest”), report number 1104-34-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), and the Stipulation of Settlement and Voluntary Forfeiture (“Stipulation”), does hereby adopt such report as filed. After consideration and review of the Stipulation, report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director’s findings and conclusions accompanying this order pursuant to §374.205.3(4).

This order, issued pursuant to §374.205.3(4), §374.280, and §374.046.15. RSMo (Cum. Supp. 2013), is in the public interest.

**IT IS THEREFORE ORDERED** that Hartford Midwest and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

**IT IS FURTHER ORDERED** that Hartford Midwest shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place Hartford Midwest in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

**IT IS FURTHER ORDERED** that Hartford Midwest shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$62,541.67 payable to the Missouri State School Fund.

**IT IS SO ORDERED.**

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 3<sup>rd</sup> day of May, 2016.



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John M. Huff  
Director

**IN THE DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION  
STATE OF MISSOURI**

**In Re:** )  
 )  
**HARTFORD INSURANCE COMPANY ) Market Conduct Exam No. 1104-34-TGT**  
**Of THE MIDWEST (NAIC #37478) )**

**STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and Hartford Insurance Company of the Midwest (hereinafter “Hartford Midwest”), as follows:

**WHEREAS**, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter, “the Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri;

**WHEREAS**, Hartford Midwest has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

**WHEREAS**, the Division conducted a Market Conduct Examination of Hartford Midwest; and

**WHEREAS**, based on the Market Conduct Examination report of Hartford Midwest, the Division alleges:

1. In several instances, Hartford Midwest utilized forms not approved for use in Missouri in violation of §287.310<sup>1</sup> and 20 CSR 500-6.100.
2. In several instances, Hartford Midwest did not charge the correct Administrative Surcharge rate in violation of §287.716.1.
3. In one instance, Hartford Midwest did not timely issue an endorsement in violation of §287.310.
4. In several instances, Hartford Midwest did not attach mandatory forms to policies in violation of §287.955.3.
5. In one instance, Hartford Midwest did not charge the minimum premium for increased limits coverage in violation of §287.955.3.

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<sup>1</sup> All references, unless otherwise noted, are the Missouri Revised Statutes 2000, as amended.

6. In several instances, Hartford Midwest did not send a notice on an approved form concerning the MOCCPAP adjustment credit in violation of §287.955.3.
7. In several instances, Hartford Midwest did not use the correct experience modification factor in violation of §287.955.1.
8. In several instances, Hartford Midwest did not correctly calculate Second Injury Fund Surcharge and Administrative Surcharge in violation of §287.955.3.
9. In several instances, Hartford Midwest did not apply the Second Injury Fund surcharge rate to premium that would have been paid in the absence of the deductible credit in violation of §287.715 and §287.310.9.
10. In several instances, Hartford Midwest did not file individual rating plans for large deductible policies in violation of §287.947.1 and 20 CSR 500-6.950.
11. In several instances, Hartford Midwest did not file individual terrorism rates in violation of §287.947.1 and 20 CSR 500-6.950.
12. In several instances, Hartford Midwest used an unfiled rate by not applying the correct small deductible credit factor in violation of §287.947.1 and 20 CSR 500-6.950(2)(I), (3)(B)3, (5)(B) & (7).
13. In several instances, Hartford Midwest did not apply the correct Administrative Surcharge rate in violation of §287.716.1.
14. In one instance, Hartford Midwest did not keep the dividend payment separate from the rating plan in violation of §287.932.2.
15. In several instances, Hartford Midwest did not include the phone number of the insured on large deductible policies in violation of §375.924.1.
16. In several instances, Hartford Midwest did not complete the audit and bill or return premium within 120 days of policy expiration or cancellation in violation of §287.955.3 and 20 CSR 500-6.500(2)(A).
17. In one instance, Hartford Midwest did not send a renewal notice informing the insured about a premium increase caused by a change in the schedule modification factor in violation of 20 CSR 500-4.100(7)(D)2.
18. In two instances, Hartford Midwest did not maintain reasonable records relating to complaint files in violation of §287.937.2 and §375.936(3).

19. Hartford Midwest did not maintain a complete record of all pertinent complaints which it received in violation of §375.936(3).

**WHEREAS**, the Division and Hartford Midwest have agreed to resolve the issues raised in the Market Conduct Examination through a voluntary settlement as follows:

**A. Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

**B. Remedial Action.** Hartford Midwest agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those remedial actions at all times. Such remedial actions shall include, but not be limited to, the following:

1. Hartford Midwest agrees to file with the Director Form Number WC 66 01 07 "Missouri Contracting Classification - Premium Adjustment Program - Worker's Compensation" and Form Number G 3058 "Policy Adjustment Notice." The forms should be filed within 90 days of the final order of the Director.

2. Hartford Midwest agrees that it will make individual risk filings with the Director for all large deductible workers compensation insurance policies with Missouri premium or exposure. Such filings shall be made within 30 days after the effective date of the policy.

3. Hartford Midwest agrees, to the extent that it has not already done so, to make payment of restitution to policyholders for overcharges that are set out in the Final Market Conduct Examination Report, together with interest at the rate of 9% per annum as required by §408.020. A letter must be included with the payment, indicating that "as a result of a Missouri Market Conduct examination," it was found that a refund was due to the insured.

4. Hartford Midwest agrees, to the extent that it has not already done so, to make payment to the Second Injury Fund and to the Department of Revenue for any underpayments to the Second Injury Fund and to the Administrative Surcharge Fund that are set out in the Final Market Conduct Examination Report. If the Second Injury Fund is owed additional payments, such payments shall be made to the fund with any applicable interest and penalties together with any amended filings required by the Division of Workers Compensation. If the Administrative

surcharge was underpaid, such payments that are owed, with any applicable interest and penalties, shall be paid to the Department of Revenue. In addition, if underpayments are discovered, the Company must file an amended return on its Administrative Surcharge calculation in a manner satisfactory to the Premium Tax Section of the Department.

5. Hartford Midwest agrees to review all deductible workers compensation insurance policies with Missouri premium or exposure issued from January 1, 2009 to the date of the order issued by the Director closing these exams to determine if the insured is entitled to any refund of premium or if the Second Injury Fund or Administrative Surcharge was incorrectly paid. If the policyholder is entitled to a refund of premium, the Company must issue any refund due to the insured, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required, pursuant to §408.020. A letter must be included with the payment, indicating that "as a result of a Missouri Market Conduct examination," it was found that a refund was due to the insured. If the Second Injury Fund is owed additional payments, such payments shall be made to the fund with any applicable interest and penalties together with any amended filings required by the Division of Workers Compensation. If the Administrative surcharge was underpaid, such payments that are owed, with any applicable interest and penalties, shall be paid to the Department of Revenue. In addition, if underpayments are discovered, the Company must file an amended return on its Administrative Surcharge calculation in a manner satisfactory to the Premium Tax Section of the Department.

6. Hartford Midwest agrees that audits on workers compensation insurance policies with Missouri premium or exposure will be completed, billed and premiums returned within 120 days of policy expiration or cancellation unless a) a delay is caused by the policyholder's failure to respond to reasonable audit requests provided that the requests are timely and adequately documented or b) a delay is caused by the mutual agreement of the policyholder and the Company, provided that the mutual agreement is adequately documented by the Company.

C. **Compliance.** Hartford Midwest agrees to file documentation with the Division within 120 days of the entry of a final order of all remedial action taken to implement compliance with the terms of this stipulation and to document the payment of restitution required by this Stipulation, including payments made to the Second Injury Fund or to the Department of Revenue.

**D. Voluntary Forfeiture.** Hartford Midwest agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$62,541.67, such sum payable to the Missouri State School Fund in accordance with §374.280.

**E. Other Penalties.** The Division agrees that it will not seek penalties against Hartford Midwest, other than those agreed to in this Stipulation, for the conduct found in Market Conduct Exam Report 1104-34-TGT.

**F. Non-Admission.** Nothing in this Stipulation shall be construed as an admission by Hartford Midwest of any violation of Missouri law or regulation, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above referenced market conduct examination.

**G. Waivers.** Hartford Midwest, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above referenced Market Conduct Examinations.

**H. Changes.** No changes to this stipulation shall be effective unless made in writing and agreed to by all signatories to the stipulation.

**I. Governing Law.** This Stipulation of Settlement and Voluntary Forfeiture shall be governed and construed in accordance with the laws of the State of Missouri.

**J. Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation of Settlement and Voluntary Forfeiture.

**K. Effect of Stipulation.** This Stipulation of Settlement and Voluntary Forfeiture shall not become effective until entry of a Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Director") approving this Stipulation.

**L. Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation of Settlement and Voluntary Forfeiture and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 4/21/2016

Angela L. Nelson

Angela L. Nelson  
Director, Division of Insurance  
Market Regulation

DATED: 4/21/2016

Stewart Freilich

Stewart Freilich  
Senior Regulatory Affairs Counsel  
Division of Insurance Market Regulation

DATED: 4/9/16

Kamela Malone

Kamela Malone  
Vice President P&C Compliance  
Hartford Insurance Company of the Midwest

DATED: 4/15/16

Richard S. Brownlee, III

Richard S. Brownlee, III  
Counsel for Hartford Insurance Company of  
the Midwest



**STATE OF MISSOURI**  
**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS**  
**AND**  
**PROFESSIONAL REGISTRATION**



**FINAL MARKET CONDUCT EXAMINATION REPORT**  
**of the Property and Casualty Business of**

**Hartford Insurance Company of the Midwest**  
**NAIC Group #0091**  
**NAIC #37478**

**MISSOURI EXAMINATION # 1104-34-TGT**

**NAIC EXAM TRACKING SYSTEM # MO341-M79**

**April 27, 2016**

**Hartford Insurance Company of the Midwest**  
**One Hartford Plaza**  
**Hartford, Connecticut 06115**

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## **FOREWORD**

This is a targeted market conduct examination report of Hartford Insurance Company of the Midwest (NAIC Code #37478). This examination was conducted at the Missouri Department of Insurance, Financial Institutions and Professional Registration's Kansas City office at 615 East 13<sup>th</sup> Street, Room 510, Kansas City, Missouri 64106.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- "Company" refers to Hartford Insurance Company of the Midwest;
- "CSR" refers to the Missouri Code of State Regulation;
- "DIFP" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Director" refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "HICM" refers to Hartford Insurance Company of the Midwest;
- "NAIC" refers to the National Association of Insurance Commissioners;
- "RSMo" refers to the Revised Statutes of Missouri;
- "MOCCPAP" refers to Missouri Contracting Classification Premium Adjustment Program;
- "NCCI" refers to the National Council on Compensation Insurance;
- "SIF" refers to Second Injury Fund;
- "ILF" refers to Increased Limit Factor.

## SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2006 through the present unless otherwise noted. Errors outside of this time period discovered during the course of the examination may also be included in the report.

The examination included a review of the following areas of the Company's operations for the lines of business reviewed:

Workers' Compensation Underwriting, Rating, and Policyholder Services.

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). *Note: Most Workers' Compensation laws do not apply a general business practice standard. No error rates were contemplated in these reviews unless the violation(s) were applicable to Missouri's Unfair Trade Practices Act.*

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

Policies with multiple violations were also accounted for in other sections of the report. The policies listed with no overpayment, may have amounts listed elsewhere in the report or were not listed, if the premium overcharge amount is \$5 or less. Amounts of \$5 or less are not tracked by the Missouri DIFP for insured reimbursement purposes. Some policies may have SIF and Administrative Surcharge undercharge and overcharge amounts that may not be shown in one section of the report, but may be listed in other sections of the report to avoid duplication.

## **COMPANY PROFILE**

The following company profile was provided to the examiners by the Company.

### **Hartford Insurance Company of the Midwest**

#### **Home Office/Principal Executive Office:**

**Home Office:** 501 Pennsylvania Parkway, Suite 400, Indianapolis, Indiana 46280-0014

**Principal Executive Office:** One Hartford Plaza, Hartford, Connecticut 06155-0001

#### **Form of Organization and State of Domicile**

Hartford Insurance Company of the Midwest is a property and casualty insurance writing company and a corporation organized under the laws of the State of Indiana.

#### **Date of Entry Into Holding Company System And Method By Which Control Was Acquired And Is Maintained:**

In 1979, Hartford Insurance Company of the Midwest was incorporated as a wholly-owned subsidiary of Hartford Fire Insurance Company. At the present time the company is a wholly-owned subsidiary of The Hartford Financial Services Group, Inc., the ultimate controlling person. It has not participated in any mergers or acquisitions for the period January 1, 2006 through the present.

## **EXECUTIVE SUMMARY**

The DIFP conducted a targeted market conduct examination of the Hartford Insurance Company of the Midwest (HICM). The examiners found the following principal areas of concern:

- The examiners discovered 16 policies which included one or more forms that were used by the Company but had not been approved for use in Missouri.
- The examiners discovered 14 instances where the Company used an incorrect administrative surcharge factor.
- The examiners found 26 instances where the Company failed to attach a mandatory form to the policy.
- The examiners found one instance where the Company failed to charge the minimum premium for increased limits that applied to the policy.
- The examiners found five instances where the Company failed to verify the MOCCPAP adjustment credit at audit.
- The examiners found three instances where the Company failed to use the correct experience modification factor.
- The examiners found 17 instances where the Company failed to follow the NCCI Basic Manual in determining the deductible credit factor and in subtracting the credit amount.
- The examiners found 20 instances where the Company failed to apply the SIF rate to the premium amount that would have been paid in the absence of the deductible option.
- The examiners found 26 instances where the Company failed to file rates within 30 days after use.
- The examiners found 19 instances where the Company failed to use the correct terrorism factor.
- The examiners found 13 instances where the Company failed to use the correct small deductible credit factor.
- The examiners found 12 instances where the Company failed to apply the administrative surcharge factor to the premium that would have been paid in the absence of the deductible option.
- The examiners found one instance where the Company failed to collect the administrative surcharge amount in the same manner as the premium.
- The examiners found one instance where the Company failed to keep the dividend payment separate from the rating plan.
- The examiners found one instance where the Company failed to issue an endorsement within 60 days.
- The examiners found a Missouri Unfair Trade Practices Act issue in 26 instances where the Company failed to provide the Company's telephone number to the insured within the policy or contract or in written form annexed to the policy for the insured's reference.

- The examiners found five instances where the Company failed to complete the final audit within 120 days.
- The examiners found four instances where the Company failed to document the basis for the scheduled rating credit.
- The examiners found one instance where the Company failed to apply the documented scheduled rating factor.
- The examiners found one instance where the Company failed to send a letter to the insured explaining that the premium increased due to a change in the scheduled modification factor and to direct any questions to the insurer or producer.
- The examiners found two instances where the Company failed to properly document a complaint file.
- The examiners found in one instance where the Company failed to document and maintain a complaint registry with a complaint file.

Examiners requested that the Company make refunds concerning underwriting premium overcharges found for amounts greater than \$5.00 during the examination.

Various non-compliant practices were identified, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the Missouri insurance laws and regulations. When applicable, corrective action for the jurisdictions should be addressed.

The examiners tracked and were mindful of the results, Company responses and public disciplinary action(s) of prior examinations concerning the Hartford Insurance Company of the Midwest. The DIFP examination tracking system indicated no Missouri market conduct examinations had been performed for this company.

## EXAMINATION FINDINGS

### I. UNDERWRITING AND RATING PRACTICES

This section of the report is designed to provide a review of the Company's underwriting and rating practices. These practices included the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage. Examiners reviewed how the Company handled new and renewal policies to ensure that the Company underwrote and rated risks according to their own underwriting guidelines, filed rates, and Missouri statutes and regulations.

The examiners conducted four separate reviews of underwriting issues. They reviewed large deductible and small deductible policy files. They also conducted reviews of files required to have the MOCCPAP letter explaining about the credit that is allowed for those policies having a construction class code as well as to ensure that the credit was applied to the policy in accordance with the NCCI basic manual. Finally, a review of Complaints with Underwriting issues was conducted.

For efficiency purposes and where convenient, policies that the examiners feel violate the same statutes maybe listed together but are identified as being separate reviews.

The following list describes the reviews that were conducted during the course of the examination.

| <u>Name of Review</u> | <u>Type of Sample</u> | <u>Population Size</u> | <u># of Files</u> |
|-----------------------|-----------------------|------------------------|-------------------|
| Large Deductible      | Census                | 26                     | 26                |
| Small Deductible      | Census                | 30                     | 30                |
| Complaints            | Census                | 3                      | 3                 |
| MOCCPAP               | Census                | 1                      | 1                 |

Total number of files reviewed: 60

The examiners reviewed a census sample of 26 large deductible policy files. A census sample of 30 small deductible policy files was reviewed along with three complaint files and an additional targeted sample of one policy file from the Company's standard policies. Therefore, a total number of 60 files were reviewed in conducting the examiner's compliance testing.

A policy/underwriting file is reviewed in accordance with 20 CSR 100-8.040 and the NAIC *Market Regulation Handbook*. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g.,



§§375.930 – 375.948 and 375.445 RSMo.) and compared with the NAIC benchmark error rate of ten percent (10%). Error rates in excess of the NAIC benchmark error rate are presumed to indicate a general business practice contrary to the law. As most Workers' Compensation laws do not apply a general business practice standard, no error rates were contemplated in these reviews unless the violation(s) discovered fell within the scope of Missouri's Unfair Trade Practices Act.

The examiners requested the Company's underwriting and rating manuals for the line of business under review. This included all rates, guidelines, and rules that were in effect on the first day of the examination period and at any point during that period to ensure that the examiners could properly rate each policy reviewed. The examiners also reviewed the Company's procedures, rules, and forms filed by or on behalf of the Company with the DIFP. The examiners reviewed all Missouri files from a listing furnished by the Company.

The examiners also requested a written description of significant underwriting and rating changes that occurred during the examination period for underwriting files that were maintained in an electronic format.

An error can include, but is not limited to, any miscalculation of the premium based on the information in the file, an improper acceptance or rejection of an application, the misapplication of the company's underwriting guidelines, incomplete file information preventing the examiners from readily ascertaining the company's rating and underwriting practices, and any other activity indicating a failure to comply with Missouri statutes and regulations.

#### **A. Forms and Filings**

The examiners reviewed the Company's policy and contract forms to determine its compliance with filing, approval, and content requirements to ensure that the contract language was not ambiguous or misleading and is adequate to protect those insured.

1. The examiners discovered the following 16 policies which included one or more forms that were used but had not been approved for use in Missouri.

| <b>No.</b> | <b>Policy No.</b> | <b>Eff. Date</b> | <b>Name of Review</b> |
|------------|-------------------|------------------|-----------------------|
| 1          | 20WN D74600       | 9/30/2008        | Large Deductible      |
| 2          | 20WN D74700       | 12/31/2007       | Large Deductible      |
| 3          | 20WN MF4810       | 2/23/2009        | Large Deductible      |

| No. | Policy No.  | Eff. Date  | Name of Review   |
|-----|-------------|------------|------------------|
| 4   | 22WN MS3550 | 9/1/2007   | Large Deductible |
| 5   | 72WN R32900 | 4/19/2010  | Large Deductible |
| 6   | 83WN MS5544 | 8/1/2006   | Large Deductible |
| 7   | 37WBCLA4256 | 7/23/2007  | Small Deductible |
| 8   | 37WBCLA4256 | 7/23/2008  | Small Deductible |
| 9   | 38WB RU2990 | 6/30/2007  | Small Deductible |
| 10  | 42WB DO4747 | 11/17/2007 | Small Deductible |
| 11  | 42WB GT2711 | 11/17/2006 | Small Deductible |
| 12  | 83WB SZ0722 | 5/18/2009  | Small Deductible |
| 13  | 84WB BO6898 | 1/1/2011   | Small Deductible |
| 14  | 84WB IL8142 | 7/1/2008   | Small Deductible |
| 15  | 84WB IL8142 | 7/1/2009   | Small Deductible |
| 16  | 84WB LA4101 | 7/1/2007   | Small Deductible |

Reference: §287.310.1. RSMo and 20 CSR 500-6.100(1).

**B. Hartford Insurance Company of the Midwest Underwriting and Rating Practices**

The examiners reviewed applications for coverage that were issued or modified by the Company to determine the accuracy of rating and adherence to prescribed and acceptable underwriting criteria.

As a result of market analysis and trending, one issue was discovered concerning Hartford Insurance Company of Midwest as described in the following paragraph.

1. In four policy files the Company failed to charge the correct Administrative Surcharge rate for year 2006 large deductible policies. The files used 1% when 0% was correct resulting in the following four instances.

| No. | Policy No.   | Eff. Date  | Admin Surcharge | Name of Review   |
|-----|--------------|------------|-----------------|------------------|
| 1   | 020WN MF4810 | 02/23/2006 | 1.0%            | Large Deductible |
| 2   | 030WN J78701 | 06/01/2006 | 1.0%            | Large Deductible |
| 3   | 037WN MS3453 | 07/01/2006 | 1.0%            | Large Deductible |
| 4   | 022WN D72800 | 10/21/2006 | 1.0%            | Large Deductible |

Reference: §287.716.1. RSMo

**1. Underwriting and Rating Practices:**

The examiners reviewed the total population of Missouri Hartford Insurance Company of the Midwest Workers Compensation Large Deductible policies and Small Deductible policies during the examination period.

The following are the results of the reviews:

1. The examiners found that the Company failed to issue an endorsement within 60 days of the request concerning the following policy.

| No. | Policy No. | Eff. Date | Name of Review   |
|-----|------------|-----------|------------------|
| 1   | 37WBJK6797 | 1/26/2006 | Small Deductible |

Reference: §287.310 RSMo and 20 CSR 500-6.500(1)(B).

2. The NCCI rules require that mandatory forms be attached to the policy. The examiners found that the Company failed to attach mandatory form number WC240602B to the following 26 policies.

| No. | Policy No.  | Eff. Date | Name of Review   |
|-----|-------------|-----------|------------------|
| 1   | 10WN C75900 | 12/1/2007 | Large Deductible |

| <b>No.</b> | <b>Policy No.</b> | <b>Eff. Date</b> | <b>Name of Review</b> |
|------------|-------------------|------------------|-----------------------|
| 2          | 10WN MG3520       | 12/1/2007        | Large Deductible      |
| 3          | 10WN R21800       | 8/9/2009         | Large Deductible      |
| 4          | 10WN S12800       | 9/30/2011        | Large Deductible      |
| 5          | 14WN MS8930       | 2/1/2006         | Large Deductible      |
| 6          | 14WN QU0091       | 7/1/2006         | Large Deductible      |
| 7          | 20WN C90918       | 1/1/2008         | Large Deductible      |
| 8          | 20WN D71900       | 11/1/2009        | Large Deductible      |
| 9          | 20WN D73100       | 1/31/2007        | Large Deductible      |
| 10         | 20WN D73100       | 1/31/2008        | Large Deductible      |
| 11         | 22WN MS9256       | 5/1/2007         | Large Deductible      |
| 12         | 30WN J78701       | 6/1/2009         | Large Deductible      |
| 13         | 37WN MS3453       | 7/1/2007         | Large Deductible      |
| 14         | 39WN MF5370       | 3/1/2011         | Large Deductible      |
| 15         | 39WN R28300       | 7/1/2009         | Large Deductible      |
| 16         | 39WN R30200       | 12/1/2009        | Large Deductible      |
| 17         | 44WN C73307       | 6/1/2007         | Large Deductible      |
| 18         | 45WN QU0140       | 4/1/2006         | Large Deductible      |
| 19         | 20WN D74600       | 9/30/2008        | Large Deductible      |
| 20         | 20WN D74700       | 12/31/2007       | Large Deductible      |
| 21         | 20WN MF4810       | 2/23/2009        | Large Deductible      |
| 22         | 22WN D72800       | 10/21/2006       | Large Deductible      |
| 23         | 22WN MS3550       | 9/1/2007         | Large Deductible      |

| No. | Policy No.  | Eff. Date | Name of Review   |
|-----|-------------|-----------|------------------|
| 24  | 72WN R32900 | 4/19/2010 | Large Deductible |
| 25  | 83WN MS5544 | 8/1/2006  | Large Deductible |
| 26  | 83WN MS9560 | 7/31/2007 | Large Deductible |

Reference: §287.955.3. RSMo and NCCI Forms Manual.

3. The NCCI rules require that a minimum premium be charged for policies with increased limits coverage. The examiners found that the company failed to charge the minimum premium for increased limits coverage that applied in the following policy.

| No. | Policy No. | Eff. Date | Name of Review   |
|-----|------------|-----------|------------------|
| 1   | 83WNMS9560 | 7/31/2007 | Large Deductible |

Reference: §287.955.3. RSMo and NCCI Basic Manual (2001 Ed)-Rule 3-A. 14.b, MO Exception and Miscellaneous Rules: MO Workers Compensation Premium Algorithm.

4. The NCCI rules require that a notice be sent on an approved form regarding the MOCCPAP adjustment credit. The examiners found that the Company failed to send a notice on an approved form concerning the MOCCPAP adjustment credit in the following five policies.

| No. | Policy No. | Eff. Date | Name of Review   |
|-----|------------|-----------|------------------|
| 1   | 42WBGT3006 | 1/1/2007  | Large Deductible |
| 2   | 42WBGT3006 | 1/1/2008  | Large Deductible |
| 3   | 42WBGT3006 | 1/1/2009  | Large Deductible |
| 4   | 42WBGT3006 | 1/1/2010  | Large Deductible |
| 5   | 84WBBO6898 | 1/1/2011  | Small Deductible |

Reference: §287.955.3. RSMo, NCCI Basic Manual (2001 ed.) - Miscellaneous Rules: MO Contracting Classification Premium Adjustment Program.

- The NCCI uniform classification system and uniform experience rating plan require the use of the correct experience modification factor. The examiners found that the Company failed to use the correct experience modification factor in the following three files. The final premium determinations for the following three policies resulted in overall premium undercharges despite items number two and three having experience modification factors larger than what should have been used that created an undercharge for that part of the premium calculation.

| No. | Policy No. | Eff. Date  | Incorrect Experience Modification Factor Used | Correct Experience Modification Factor | Name of Review   |
|-----|------------|------------|---|--|------------------|
| 1   | 20WND74600 | 9/30/2008  | .71   | .72                                    | Large Deductible |
| 2   | 20WND74700 | 12/31/2007 | .75   | .73                                    | Large Deductible |
| 3   | 20WNMF4810 | 2/23/2009  | 1.31  | 1.28                                   | Large Deductible |

Reference: §287.955.1. RSMo, and NCCI Experience Rating Plan Manual (2003) – Rule 1-B.3. eff. 12/1/03, Rule 2B eff. 12/1/03, Rule 4-E. eff. 1/1/06 and MO Exception MO Exception Rule 4-E. eff. 1/1/04.

- The NCCI rules require that correct deductible credit factors be used and credited correctly. The company failed to subtract the deductible credit in item 11 creating a premium overcharge. In the 16 remaining items (1-10 and 12-17) the Company failed to use the correct deductible credit factors.

| No. | Policy No.  | Eff. Date | Prem U/C | Prem O/C   | Est. Int. as of date of criticism | Total Restitution | Paid/Not Paid | Name of Review   |
|-----|-------------|-----------|----------|------------|-----------------------------------|-------------------|---------------|------------------|
| 1   | 42WBGT3006  | 1/1/2008  | \$84.00  |            |                                   |                   | N/A           | Small Deductible |
| 2   | 42WBGT3006  | 1/1/2009  |          | \$88.00    | \$17.92                           | \$105.92          | Paid          | Small Deductible |
| 3   | 42WBGT3006  | 1/1/2010  | \$23.00  |            |                                   |                   | N/A           | Small Deductible |
| 4   | 37WB FQ6400 | 4/4/2006  |          | \$3,695.00 | \$1,691.16                        | \$5,386.16        | Not Paid      | Small Deductible |

| No. | Policy No.  | Eff. Date  | Prem U/C   | Prem O/C   | Est. Int. as of date of criticism | Total Restitution | Paid/Not Paid | Name of Review   |
|-----|-------------|------------|------------|------------|-----------------------------------|-------------------|---------------|------------------|
| 5   | 42WBG3006   | 1/1/2006   | \$105.00   |            |                                   |                   |               | Small Deductible |
| 6   | 69WBKA6928  | 2/28/2006  |            | \$156.00   |                                   | \$156.00          | Not Paid      | Small Deductible |
| 7   | 37WBJI9696  | 5/15/2010  |            | \$2,033.00 | \$119.32                          | \$2,152.32        | Not Paid      | Small Deductible |
| 8   | 42WBG3006   | 1/1/2007   | \$71.00    |            |                                   |                   | N/A           | Small Deductible |
| 9   | 37WBPN8583  | 3/1/2006   | \$223.00   |            |                                   |                   | N/A           | Small Deductible |
| 10  | 42WBG3006   | 1/1/2011   | \$34.00    |            |                                   |                   | N/A           | Small Deductible |
| 11  | 83WNMS9560  | 7/31/2007  |            | \$807.00   |                                   | \$807.00          | Not Paid      | Large Deductible |
| 12  | 42WBDO4747  | 11/17/2007 | \$240.00   |            |                                   |                   | N/A           | Small Deductible |
| 13  | 42WB GT2711 | 11/17/2006 | \$434.00   |            |                                   |                   | N/A           | Small Deductible |
| 14  | 38WBRU2990  | 6/30/2007  | \$1,970.00 |            |                                   |                   | N/A           | Small Deductible |
| 15  | 83WBSX7009  | 1/1/2006   | \$11.00    |            |                                   |                   | N/A           | Small Deductible |
| 16  | 83WBSX7009  | 1/1/2007   | \$9.00     |            |                                   |                   | N/A           | Small Deductible |
| 17  | 83WBSZ0722  | 5/18/2008  |            | \$205.00   | \$56.57                           | \$261.57          | Not Paid      | Small Deductible |

Reference: §287.955.3. RSMo, and NCCI Basic Manual, Miscellaneous Rules, Missouri Workers Compensation Premium Algorithm and Deductible Insurance.

- The Company failed to apply the Second Injury Fund Surcharge rate to the premium that would have been paid in the absence of the deductible credit. In calculating the surcharge owed, the premiums upon which the surcharge is assessed are those that would have been paid in the absence of the deductible option. This error resulted in the following 20 errors.

| No. | Policy No.  | Eff. Date | SIF U/Paid | SIF O/Paid | Premium U/Charge | Premium O/Charge | Est. Int. as of date of criticism | Total Restitution | Name of Review   |
|-----|-------------|-----------|------------|------------|------------------|------------------|-----------------------------------|-------------------|------------------|
| 1   | 42WBG3006   | 1/1/2010  |            | \$1.00     |                  |                  |                                   |                   | Small Deductible |
| 2   | 37WB FQ6400 | 4/4/2006  | \$42.00    |            |                  |                  |                                   |                   | Small Deductible |
| 3   | 42WBG3006   | 1/1/2006  | \$21.00    |            |                  |                  |                                   |                   | Small Deductible |
| 4   | 69WBKA6928  | 2/28/2006 | \$1.00     |            |                  |                  |                                   |                   | Small Deductible |
| 5   | 37WBKA6928  | 2/28/2007 | \$7.00     |            |                  |                  |                                   |                   | Small Deductible |
| 6   | 37WBJI9696  | 5/15/2010 | \$105.00   |            |                  |                  |                                   |                   | Small Deductible |
| 7   | 42WBG3006   | 1/1/2007  | \$2.00     |            |                  |                  |                                   |                   | Small Deductible |
| 8   | 37WBPN8583  | 3/1/2006  | \$36.00    |            |                  |                  |                                   |                   | Small Deductible |

| No. | Policy No.  | Eff. Date  | SIF U/Paid | SIF O/Paid | Premium U/Charge | Premium O/Charge | Est. Int. as of date of criticism | Total Restitution  | Name of Review   |
|-----|-------------|------------|------------|------------|------------------|------------------|-----------------------------------|--------------------|------------------|
| 9   | 37WBPN8583  | 3/1/2007   | \$57.00    |            | \$57.00          |                  |                                   |                    | Small Deductible |
| 10  | 83WBSX7009  | 1/1/2006   |            | \$1.00     |                  |                  |                                   |                    | Small Deductible |
| 11  | 83WBSZ0722  | 5/18/2007  | \$3.00     |            | \$3.00           |                  |                                   |                    | Small Deductible |
| 12  | 83WBSX7009  | 1/1/2007   | \$2.00     |            |                  |                  |                                   |                    | Small Deductible |
| 13  | 42WBGT3006  | 1/1/2011   | \$1.00     |            |                  |                  |                                   |                    | Small Deductible |
| 14  | 84WBIL8142  | 7/1/2008   | \$49.00    |            |                  |                  |                                   |                    | Small Deductible |
| 15  | 84WBLA4101  | 7/1/2007   |            | \$551.00   |                  |                  |                                   |                    | Small Deductible |
| 16  | 84WBBO6898  | 1/1/2011   |            | \$18.00    |                  | \$18.00          | \$1.07                            | \$19.07 (not paid) | Small Deductible |
| 17  | 42WBDO4747  | 11/17/2007 |            | \$15.00    |                  |                  |                                   |                    | Small Deductible |
| 18  | 42WB GT2711 | 11/17/2006 |            | \$22.00    |                  |                  |                                   |                    | Small Deductible |
| 19  | 38WBRU2990  | 6/30/2007  | \$111.00   |            |                  |                  |                                   |                    | Small Deductible |
| 20  | 83WBSZ0722  | 5/18/2008  | \$1.00     |            |                  |                  |                                   |                    | Small Deductible |

Reference: §§287.715 and 287.310.9 RSMo.

8. The examiners found that the Company failed to file with the Director all rates and supplementary rate information which is used in Missouri no later than 30 days after the effective date. The Company failed to file its large deductible plan and the following 26 policy files were rated on individual risk characteristics and those factors were not included in the large deductible plan.

| No. | Policy No.  | Eff. Date | Name of Review   |
|-----|-------------|-----------|------------------|
| 1   | 10WN C75900 | 12/1/2007 | Large Deductible |
| 2   | 10WN MG3520 | 12/1/2007 | Large Deductible |
| 3   | 10WN R21800 | 8/9/2009  | Large Deductible |
| 4   | 10WN S12800 | 9/30/2011 | Large Deductible |
| 5   | 14WN MS8930 | 2/1/2006  | Large Deductible |
| 6   | 14WN QU0091 | 7/1/2006  | Large Deductible |
| 7   | 20WN C90918 | 1/1/2008  | Large Deductible |



| <b>No.</b> | <b>Policy No.</b> | <b>Eff. Date</b> | <b>Name of Review</b> |
|------------|-------------------|------------------|-----------------------|
| 8          | 20WN D71900       | 11/1/2009        | Large Deductible      |
| 9          | 20WN D73100       | 1/31/2007        | Large Deductible      |
| 10         | 20WN D73100       | 1/31/2008        | Large Deductible      |
| 11         | 22WN MS9256       | 5/1/2007         | Large Deductible      |
| 12         | 30WN J78701       | 6/1/2009         | Large Deductible      |
| 13         | 37WN MS3453       | 7/1/2007         | Large Deductible      |
| 14         | 39WN MF5370       | 3/1/2011         | Large Deductible      |
| 15         | 39WN R28300       | 7/1/2009         | Large Deductible      |
| 16         | 39WN R30200       | 12/1/2009        | Large Deductible      |
| 17         | 44WN C73307       | 6/1/2007         | Large Deductible      |
| 18         | 45WN QU0140       | 4/1/2006         | Large Deductible      |
| 19         | 20WN D74600       | 9/30/2008        | Large Deductible      |
| 20         | 20WN D74700       | 12/31/2007       | Large Deductible      |
| 21         | 20WN MF4810       | 2/23/2009        | Large Deductible      |
| 22         | 22WN D72800       | 10/21/2006       | Large Deductible      |
| 23         | 22WN MS3550       | 9/1/2007         | Large Deductible      |
| 24         | 72WN R32900       | 4/19/2010        | Large Deductible      |
| 25         | 83WN MS5544       | 8/1/2006         | Large Deductible      |
| 26         | 83WN MS9560       | 7/31/2007        | Large Deductible      |

Reference: §287.947.1. RSMo, 20 CSR 500-6.950(2)(I), (3)(B)3., (5)(B) & (7) and Company Rate Filings.

9. The examiners found that the Company failed to file with the Director all rates and supplementary rate information which is used in Missouri no later than 30 days after the effective date. The Company failed to apply the correct terrorism factor in the following 19 files.

| No. | Policy No.  | Eff. Date  | Premium Undercharge | Rate Filed | Rate Used | Name of Review   |
|-----|-------------|------------|---------------------|------------|-----------|------------------|
| 1   | 10WN C75900 | 12/1/2007  |                     | .03        | .01       | Large Deductible |
| 2   | 10WN MG3520 | 12/1/2007  |                     | .03        | .01       | Large Deductible |
| 3   | 10WN R21800 | 8/9/2009   |                     | .01        | .003      | Large Deductible |
| 4   | 10WN S12800 | 9/30/2011  |                     | .02        | .002      | Large Deductible |
| 5   | 20WN C90918 | 1/1/2008   |                     | .03        | .01       | Large Deductible |
| 6   | 20WN D71900 | 11/1/2009  |                     | .01        | .002      | Large Deductible |
| 7   | 20WN D73100 | 1/31/2007  |                     | .03        | .023      | Large Deductible |
| 8   | 20WN D73100 | 1/31/2008  |                     | .03        | .009      | Large Deductible |
| 9   | 22WN MS9256 | 5/1/2007   |                     | .03        | .010      | Large Deductible |
| 10  | 30WN J78701 | 6/1/2009   |                     | .01        | .003      | Large Deductible |
| 11  | 37WN MS3453 | 7/1/2007   |                     | .03        | .01       | Large Deductible |
| 12  | 39WN R30200 | 12/1/2009  |                     | .01        | .002      | Large Deductible |
| 13  | 44WN C73307 | 6/1/2007   |                     | .03        | .015      | Large Deductible |
| 14  | 20WND74600  | 9/30/2008  | \$287.00            | .01        | .006      | Large Deductible |
| 15  | 20WND74700  | 12/31/2007 | \$861.00            | .03        | .006      | Large Deductible |
| 16  | 20WNMF4810  | 2/23/2009  | \$1,897.00          | .01        | .002      | Large Deductible |
| 17  | 22WND72800  | 10/21/2006 | \$38.00             | .03        | .013      | Large Deductible |
| 18  | 22WNMS3550  | 9/1/2007   | \$113.00            | .03        | .017      | Large Deductible |

| No. | Policy No. | Eff. Date | Premium Undercharge | Rate Filed | Rate Used | Name of Review   |
|-----|------------|-----------|---------------------|------------|-----------|------------------|
| 19  | 72WNR32900 | 4/19/2010 | \$410.00            | .01        | .003      | Large Deductible |

Reference: §287.947.1. RSMo, 20 CSR 500-6.950(2)(I), (3)(B)3., (5)(B) & (7) and Company Rate Filings.

10. The examiners found that the Company failed to file with the Director all rates and supplementary rate information which is used in Missouri no later than 30 days after the effective date. The Company failed to apply the correct, filed, small deductible credit factor in the following 13 files.

| No. | Policy No. | Eff. Date  | Prem U/C | Rate Not Filed Used | Correct Filed Rate | Name of Review   |
|-----|------------|------------|----------|---------------------|--------------------|------------------|
| 1   | 42WBGT3006 | 1/1/2008   |          | .043                | .039               | Small Deductible |
| 2   | 42WBGT3006 | 1/1/2009   |          | .022                | .028               | Small Deductible |
| 3   | 42WBGT3006 | 1/1/2010   |          | .022                | .029               | Small Deductible |
| 4   | 37WBFQ6400 | 4/4/2006   |          | .04                 | .068               | Small Deductible |
| 5   | 42WBGT3006 | 1/1/2006   |          | .043                | .041               | Small Deductible |
| 6   | 37WBJI9696 | 5/15/2010  |          | .0196               | .023               | Small Deductible |
| 7   | 42WBGT3006 | 1/1/2007   |          | .043                | .04                | Small Deductible |
| 8   | 83WBSX7009 | 1/1/2006   |          | .043                | .041               | Small Deductible |
| 9   | 83WBSX7009 | 1/1/2007   |          | .068                | .066               | Small Deductible |
| 10  | 83WBSZ0722 | 5/18/2009  | \$62.00  | .045                | .028               | Small Deductible |
| 11  | 84WBB06898 | 1/1/2011   |          | .029                | .028               | Small Deductible |
| 12  | 42WBD04747 | 11/17/2007 |          | .043                | .04                | Small            |

| No. | Policy No. | Eff. Date  | Prem U/C | Rate Not Filed Used | Correct Filed Rate | Deductible Name of Review |
|-----|------------|------------|----------|---------------------|--------------------|---------------------------|
| 13  | 42WBGT2711 | 11/17/2006 |          | .043                | .04                | Small Deductible          |

Reference: §287.947.1. RSMo, 20 CSR 500-6.950(2)(I), (3)(B)3., (5)(B) & (7), NCCI Basic manual Appendix E, MO Deductible Insurance and Company Rate Filings.

11. The Company failed to apply the correct Administrative Surcharge rate resulting in the following 10 Administrative Surcharge errors.

| No. | Policy No. | Eff. Date  | Admin O/P | Admin U/P | Prem O/C | Est. Int. as of date of criticism | Total           | Name of Review   |
|-----|------------|------------|-----------|-----------|----------|-----------------------------------|-----------------|------------------|
| 1   | 14WNQU0091 | 7/1/2006   |           |           | \$78.00  | \$42.87                           | \$120.87 (Paid) | Large Deductible |
| 2   | 45WNQU0140 | 4/1/2006   |           |           | \$248    | \$141.33                          | \$389.33 (Paid) | Large Deductible |
| 3   | 37WBJK6797 | 1/26/2006  | \$3.00    |           | \$3.00   |                                   |                 | Small Deductible |
| 4   | 42WBGT3006 | 1/1/2006   | \$14.00   |           |          |                                   |                 | Large Deductible |
| 5   | 69WBKA6928 | 2/28/2006  | \$8.00    |           |          |                                   |                 | Large Deductible |
| 6   | 83WBSX7009 | 1/1/2006   | \$4.00    |           |          |                                   |                 | Small Deductible |
| 7   | 22WND72800 | 10/21/2006 |           |           | \$14.00  |                                   |                 | Large Deductible |
| 8   | 83WNMS5544 | 8/1/2006   | \$233.00  |           | \$233.00 | \$105.72                          | \$338.72 (Paid) | Large Deductible |
| 9   | 42WBGT2711 | 11/17/2006 | \$85.00   |           |          |                                   |                 | Small Deductible |
| 10  | 38WBRU2990 | 6/30/2007  |           | \$19.00   |          |                                   |                 | Small Deductible |

Reference: §287.716.1. RSMo.

12. The Company failed to apply the Administrative Surcharge rate to the premium that would have been paid in the absence of the deductible credit. In calculating the surcharge owed, the premiums upon which the surcharge is assessed are those that would have been paid in the absence of the deductible option. This error resulted in the following 12 Administrative Surcharge errors.

| No. | Policy No.  | Eff. Date  | Admin U/P | Admin O/P | Name of Review   |
|-----|-------------|------------|-----------|-----------|------------------|
| 1   | 42WBGT3006  | 1/1/2008   | \$1.00    |           | Small Deductible |
| 2   | 37WB FQ6400 | 4/4/2006   | \$52.00   |           | Small Deductible |
| 3   | 37WBJI9696  | 5/15/2010  | \$56.00   |           | Small Deductible |
| 4   | 37WBPN8583  | 3/1/2006   | \$6.00    |           | Small Deductible |
| 5   | 83WBSZ0722  | 5/18/2007  |           | \$1.00    | Small Deductible |
| 6   | 42WBGT3006  | 1/1/2011   |           | \$2.00    | Small Deductible |
| 7   | 84WBIL8142  | 7/1/2008   | \$16.00   |           | Small Deductible |
| 8   | 84WBLA4101  | 7/1/2007   |           | \$25.00   | Small Deductible |
| 9   | 84WBBO6898  | 1/1/2011   |           | \$3.00    | Small Deductible |
| 10  | 42WBDO4747  | 11/17/2007 |           | \$8.00    | Small Deductible |
| 11  | 83WBSZ0722  | 5/18/2008  |           | \$3.00    | Small Deductible |
| 12  | 42WBGT3006  | 1/1/2008   |           | \$1.00    | Small Deductible |

Reference: §§287.716.2., and 287.310.9. RSMo.

13. The Company failed to collect the Administrative Surcharge at the same time and in the same manner as the premium for the policy was collected in the following file.

| No. | Policy No. | Eff. Date | Name of Review   |
|-----|------------|-----------|------------------|
| 1   | 38WBRU2990 | 6/30/2007 | Small Deductible |

Reference: §287.717.1. RSMo.

14. The Company failed to keep the dividend payment separate from the rating plan. The dividend factor was included in the rating of the policy for the policies issued with a dividend plan. In the following policy, there was a 4% credit applied resulting in an \$811 undercharge.

| No. | Policy No. | Eff. Date | Name of Review   |
|-----|------------|-----------|------------------|
| 1   | 38WBRU2990 | 6/30/2007 | Small Deductible |

Reference: §287.932.1. RSMo.

The examiners requested a sample from the total population of Missouri Hartford Insurance Company of the Midwest Workers Compensation Large Deductible policies during the examination period.

Field Size: 26  
 Sample Size: 26  
 Type of Sample: Census  
 Number of Errors: 26  
 Error Ratio: 100.0%  
 Within DIFP Guidelines: No

15. The Company is required to include the insurer's phone number within the policy or contract or in written form annexed to the policy. The examiners found that the Company failed to include its phone number within the policy or contract or in written form annexed to the policy in the following 26 policies. These instances pertained to Missouri's Unfair Trade Practices Act.

| No. | Policy No.  | Eff. Date | Name of Review   |
|-----|-------------|-----------|------------------|
| 1   | 10WNC75900  | 12/1/2007 | Large Deductible |
| 2   | 10WNUMG3520 | 12/1/2007 | Large Deductible |
| 3   | 10WNR21800  | 8/9/2009  | Large Deductible |
| 4   | 10WNS12800  | 9/30/2011 | Large Deductible |
| 5   | 14WNMS8930  | 2/1/2006  | Large Deductible |
| 6   | 14WNQU0091  | 7/1/2006  | Large Deductible |
| 7   | 20WNC90918  | 1/1/2008  | Large Deductible |
| 8   | 20WND71900  | 11/1/2009 | Large Deductible |

| <b>No.</b> | <b>Policy No.</b> | <b>Eff. Date</b> | <b>Name of Review</b> |
|------------|-------------------|------------------|-----------------------|
| 9          | 20WND73100        | 1/31/2007        | Large Deductible      |
| 10         | 20WND73100        | 1/31/2008        | Large Deductible      |
| 11         | 22WNMS9256        | 5/1/2007         | Large Deductible      |
| 12         | 30WNJ78701        | 6/1/2009         | Large Deductible      |
| 13         | 37WNMS3453        | 7/1/2007         | Large Deductible      |
| 14         | 39WNMF5370        | 3/1/2011         | Large Deductible      |
| 15         | 39WNR28300        | 7/1/2009         | Large Deductible      |
| 16         | 39WNR30200        | 12/1/2009        | Large Deductible      |
| 17         | 44WNC73307        | 6/1/2007         | Large Deductible      |
| 18         | 45WNQU0140        | 4/1/2006         | Large Deductible      |
| 19         | 20WND74600        | 9/30/2008        | Large Deductible      |
| 20         | 20WND74700        | 12/31/2007       | Large Deductible      |
| 21         | 20WNMF4810        | 2/23/2009        | Large Deductible      |
| 22         | 22WND72800        | 10/21/2006       | Large Deductible      |
| 23         | 22WNMS3550        | 9/1/2007         | Large Deductible      |
| 24         | 72WNR32900        | 4/19/2010        | Large Deductible      |
| 25         | 83WNMS5544        | 8/1/2006         | Large Deductible      |
| 26         | 83WNMS9560        | 7/31/2007        | Large Deductible      |

Reference: §375.924.1. RSMo.

16. The Company failed to complete the audit and bill or return premium concerning the following five policies within one hundred twenty (120) days of policy expiration or cancellation. There was no documentation or evidence of a mutual agreement or that the delay was caused by the policyholder. Two policies did not have a refund that was due at the end of the audit, and therefore no interest or restitution was applicable to the insured. One policy did have a premium refund, but the amount and interest fell below \$5. Two policies were identified with interest amounts over \$5 and had premium refund amounts that were due and previously paid by the Company. Due to the lateness of the amounts that were refunded by the Company, the following two interest amounts were requested in the form of restitution.

| No. | Policy No. | Eff. Date  | Est. Int. as of date of criticism | Restitution  | Note      | Paid/Not Paid | Days Late | Name of Review   |
|-----|------------|------------|-----------------------------------|--------------|-----------|---------------|-----------|------------------|
| 1   | 22WNMS3550 | 9/1/2007   |                                   |              | No refund | N/A           | 85        | Large Deductible |
| 2   | 83WNMS9560 | 7/31/2007  |                                   |              | No refund | N/A           | 14        | Large Deductible |
| 3   | 20WND74600 | 9/30/2008  | \$23.18                           | \$23.18      |           | Not Paid      | 78        | Large Deductible |
| 4   | 22WND72800 | 10/21/2006 | <u>\$10</u>                       | Below \$5.00 |           | Not Paid      | 143       | Large Deductible |
| 5   | 72WNR32900 | 4/19/2010  | \$63.77                           | \$63.77      |           | Not Paid      | 240       | Large Deductible |

Reference: §287.955.3 RSMo and 20 CSR 500-6.500(2) (A).

17. The Company failed to document the following files with the basis for the schedule rating modification credit applied to the policy premium in the following four files.

| No. | Policy No.  | Eff. Date  | Name of Review   |
|-----|-------------|------------|------------------|
| 1   | 42WBDO4747  | 11/17/2007 | Small Deductible |
| 2   | 42WB GT2711 | 11/17/2006 | Small Deductible |
| 3   | 38WBRU2990  | 6/30/2007  | Small Deductible |
| 4   | 37WBJI9696  | 5/15/2010  | Small Deductible |

Reference: §§287.937.2, 374.205.2(2), 287.350 RSMo, 20 CSR-500-4.100(7)(D)1., and 20 CSR 300-2.200 [as replaced by 20 CSR 100-8.040].

18. The Company failed to apply the scheduled rating factor as documented in the following policy file.



| No. | Policy No. | Eff. Date | Premium Overcharge | Est. Int. as of date of criticism | Total       | Paid/Not Paid | Name of Review   |
|-----|------------|-----------|--------------------|-----------------------------------|-------------|---------------|------------------|
| 1   | 84WBLA4101 | 7/1/2007  | \$16,468.00        | \$6,140.25                        | \$22,608.25 | Not Paid      | Small Deductible |

Reference: §287.950.1. RSMo, and 20 CSR-500-4.100(7)(D)1.

19. The Company failed to send a renewal notice instructing the insured that any inquiry concerning the increased premium due to the change in the scheduled modification factor applied to the policy period may be directed to the insurer or the producer in the following file.

| No. | Policy No. | Eff. Date | Schedule Modification Credit 2006 | Schedule Modification Credit 2007 | Change | Name of Review   |
|-----|------------|-----------|-----------------------------------|-----------------------------------|--------|------------------|
| 1   | 84WBLA4101 | 7/1/2007  | 16%                               | 10%                               | + 6%   | Small Deductible |

Reference: 20 CSR-500-4.100(7)(D)2.

## **II. COMPLAINT HANDLING PRACTICES**

This section of the report is designed to provide a review of the Company's complaint handling practices. Examiners reviewed how the Company handled complaints to ensure it was performing according to its own guidelines and Missouri statutes and regulations.

Section 375.936.(3), RSMo, requires companies to maintain a registry of all written complaints received for the last three years. The registry must include all Missouri complaints, including those sent to the DIFP and those sent directly to the company.

The examiners verified the Company's complaint registry, dated January 1, 2006, through the present.

### **A. Complaints Sent Directly to the DIFP**

The review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by §375.936.(3), RSMo, and 20 CSR 300-2.100(3)(D) (as replaced by 20 CSR 100-8.040(3)(D), eff. 1/30/09). The examiners found the following exceptions during this review.

1. The Company failed to maintain reasonable records documenting pertinent events of the complaint in the following two complaint files. In complaint file number 08J000672, there was no denial letter, log notes or explanation of claim handling and letters of correspondence. In complaint file number 06J001505, there were no documents provided by the Company.

Complaint Number

08J000672  
06J001505

Reference: §§287.937.2., 374.205.2.(2), 375.936(3) RSMo and 20 CSR-300-2.200 [as replaced by 20 CSR 100-8.040(3)(D) eff. 1/30/2009].

2. The Company failed to maintain a complete record of all pertinent complaints which it had received. The DIFP had received documentation of the following complaint file number 06J001505 back in 2006. This complaint was not documented in the Company's complaint register.

Complaint Number

06J001505

Reference: §375.936(3) RSMo and 20 CSR-300-2.200 [as replaced by 20 CSR 100-8.040(3)(D) eff. 1/30/2009].

**B. Complaints Sent Directly to the Company**

This review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint. The Company explained that it did not receive any complaints from its insureds, claimants, or others. The examiners found no evidence to the contrary.

The examiners discovered no issues or concerns.

### **III. CRITICISMS AND FORMAL REQUESTS TIME STUDY**

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri law requires companies to respond to criticisms and formal requests within 10 calendar days. Please note that in the event an extension was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the time frame granted by the examiners. If the response was not received within that time period, the response was not considered timely. The examiners discovered no issues or concerns regarding the criticisms and formal requests that were requested by the examiners and responded to by the Company for this examination.

#### **A. Criticism Time Study**

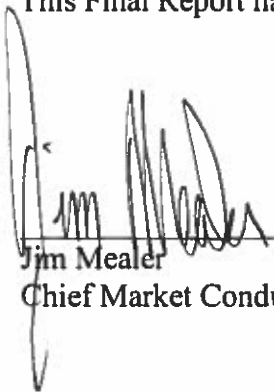
| <b><u>Calendar Days</u></b>                              | <b><u>Number of Formal Requests</u></b> | <b><u>Percentage</u></b> |
|--|---|--------------------------|
| Received within the time limit including any extensions: | 51                                      | 100.0%                   |
| Received outside time limit including any extensions:    | 0                                       | 0.0%                     |
| No response:   | 0                                       | 0.0%                     |
| Total:   | 51                                      | 100.0%                   |

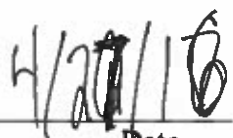
#### **B. Formal Request Time Study**

| <b><u>Calendar Days</u></b>                              | <b><u>Number of Formal Requests</u></b> | <b><u>Percentage</u></b> |
|--|---|--------------------------|
| Received within the time limit including any extensions: | 7                                       | 100.0%                   |
| Received outside time limit including any extensions:    | 0                                       | 0.0%                     |
| No response:   | 0                                       | 0.0%                     |
| Total:   | 7                                       | 100.0%                   |

**EXAMINATION REPORT SUBMISSION**

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Hartford Insurance Company of the Midwest (NAIC #37478), Examination Number 1104-34-TGT. This examination was conducted by Scott Pendleton, Dale Hobart, Dennis Foley and Teresa Koerkenmeier. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated April 22, 2013. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

  
\_\_\_\_\_  
Jim Mealer  
Chief Market Conduct Examiner

  
\_\_\_\_\_  
Date