

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

In Re:)
)
TWIN CITY FIRE INSURANCE) **Market Conduct Exam No. 1104-36-TGT**
COMPANY (NAIC # 29459))

ORDER OF THE DIRECTOR

NOW, on this 3rd day of May, 2016, Director John M. Huff, after consideration and review of the market conduct examination report of Twin City Fire Insurance Company (NAIC #29459) (hereafter referred to as “Twin City”), report number 1104-36-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 Twin City 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 Twin City shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place Twin City 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 Twin City shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$62,541.66 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 3rd day of May, 2016.



John M. Huff
Director

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

In Re:)
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TWIN CITY FIRE INSURANCE) **Market Conduct Exam No. 1104-36-TGT**
COMPANY (NAIC #29459))

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and Twin City Fire Insurance Company (NAIC #29459) (hereinafter “Twin City”), 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, Twin City 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 Twin City; and

WHEREAS, based on the Market Conduct Examination report of Twin City, the Division alleges:

1. In one instance, Twin City used an incorrect employer’s liability increased limits factor in violation of §287.955.3¹.
2. In several instances, Twin City did not use the correct Administrative Surcharge for small deductible policies in violation of §287.716.1.
3. In two instances, Twin City did not maintain adequate file documentation in violation of §287.937.2, §374.205.2(2) and 20 CSR 300-2.200.
4. In two instances, Twin City did not attach a mandatory form to a policy in violation of §287.955.3.
5. In one instance, Twin City used an incorrect premium discount rate in violation of §287.955.3.
6. In several instances, Twin City used an incorrect deductible credit in violation of

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

§287.955.1.

7. In several instances, Twin City 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 §287.715.2 and 287.310.9.

8. In two instances, Twin City did not use a filed terrorism rate in violation of §287.947.1.

9. In several instances, Twin City used an unfiled deductible credit factor in violation of §287.947.1 and 20 CSR 500-6.950.

10. In several instances, Twin City did not file an individual rating plan for large deductible policies in violation of §287.947.1.

11. In two instances, Twin City did not use the correct scheduled modification credit rating factor in violation of §287.955.1.

12. In several instances, Twin City did not keep the dividend payment separate from the rating plan in violation of §287.932.2.

13. In several instances, Twin City did not include the phone number of the insured on large deductible policies in violation of §375.924.1.

14. In several instances, Twin City did not use the correct Administrative Surcharge rate in violation of §287.716.1.

WHEREAS, the Division and Twin City 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. Twin City 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. Twin City 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. Twin City 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. Twin City 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. Twin City 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. Twin City 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. Twin City 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.** Twin City 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.** Twin City agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$62,541.66, 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 Twin City, other than those agreed to in this Stipulation, for the conduct found in Market Conduct Exam Report 1104-36-TGT.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by Twin City 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.** Twin City, 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
Director, Division of Insurance
Market Regulation

DATED: 4/21/2016



Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: 4/8/16



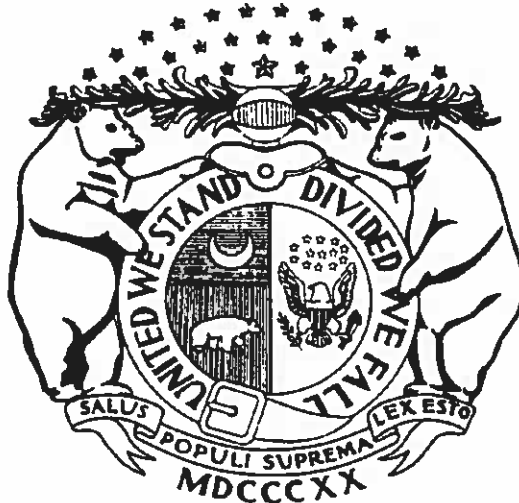
Karmela Malone
Vice President P&C Compliance
Twin City Fire Insurance Company

DATED: 4/15/16



Richard S. Brownlee, III
Counsel for Twin City Fire Insurance Company

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



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

Twin City Fire Insurance Company
NAIC Group #0091
NAIC #29459

MISSOURI EXAMINATION # 1104-36-TGT

NAIC EXAM TRACKING SYSTEM # MO341-M81

April 27, 2016

Twin City Fire Insurance Company
One Hartford Plaza
Hartford, Connecticut 06115

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FOREWORD

This is a targeted market conduct examination report of the Twin City Fire Insurance Company (NAIC Code #29459). This examination was conducted at the Missouri Department of Insurance, Financial Institutions, and Professional Registration's Kansas City office at 615 East 13th Street, Room 506, 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 Twin City Fire Insurance Company;
- "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;
- "TCFIC" refers to Twin City Fire Insurance Company;
- "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;
- "ELPPF" refers to Excess Loss Pure Premium Factor;
- "SIF" refers to Second Injury Fund.

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, as premium overcharge 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.

Twin City Fire Insurance Company

Home Office/Principal Executive Office:

Home Office: 501 Pennsylvania Parkway, Suite 400, Indianapolis, Indiana 46268-0014

Principal Executive Office: One Hartford Plaza, Hartford, Connecticut 06155

Form of Organization and State of Domicile

Twin City Fire Insurance Company 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 1921, Hartford Fire Insurance Company acquired a majority interest in Twin City Fire Insurance Company (incorporated 1910). At the present time the company is a wholly-owned subsidiary of Hartford Fire Insurance Company, which is, in turn, 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 Twin City Fire Insurance Company (TCFIC). The examiners found the following principal areas of concern:

- The examiners discovered during a Company self-audit that in one instance the Company failed to use the correct employee liability increased limits factor.
- The examiners discovered during a Company self-audit that in three instances the Company failed to use the correct administrative surcharge rate for year 2006 small deductible policies.
- The examiners found two instances where the Company failed to document the underwriting file with the basis for the scheduled modification debit or credit applied to the policies.
- The examiners found in three instances where the Company failed to attach a mandatory form with the policy at renewal.
- The examiners found in one instance where the Company failed to apply the correct premium discount rate to the policy.
- The examiners found in 21 instances where the Company failed to use the correct deductible credit to the policy.
- The examiners found in four instances where the Company failed to use the correct experience modification factor.
- The examiners found in 22 instances where the Company failed to apply the SIF surcharge to the correct premium amount.
- The examiners found in two instances where the Company failed to use the correct and filed terrorism rate.
- The examiners found in 17 instances where the Company failed to use the correct and filed deductible credit factor with the DIFP.
- The examiners found in 13 instances where the Company failed to file the individual risk large deductible credit factor with the DIFP.
- The examiners found in 19 instances where the Company failed to apply the administrative surcharge factor to the correct premium amount.
- The examiners found in two instances where the Company failed to use the correct scheduled rating modification credit factor.
- The examiners discovered five instances where the Company incorrectly considered dividends in the rating plan in determining the premium amount.
- The examiners found 13 instances resulting in a 100% error ratio, where the Company was found to be in violation of Missouri's Unfair Trade Practices Act. The Company failed to include its phone number within the policy or contract or in written form annexed to the policy regarding the large deductible policy files review.
- The examiners discovered in three instances where the Company failed to use the correct administrative surcharge rate.

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 Twin City Fire Insurance Company. 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.

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	13	13
Small Deductible	Census	48	48
Complaints	Census	2	2

Total: 63 policy files.

The examiners reviewed two census samples consisting of thirteen large deductible policy files and 48 small deductible policy files. The examiners also reviewed two complaint files for a total 63 files in conducting their 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.

The examiners discovered no issues or concerns.

B. Workers Compensation Policy Reviews

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, two issues were discovered concerning Hartford Underwriters Insurance Company as described in the following two paragraphs.

1. The Company failed to use the correct employers liability (EL) increased limits factor (ILF) of .8. The Company used 1.2, creating a \$1 premium undercharge in the following policy file.

Policy No.	Effective Date	Premium Undercharge	Name of Review
39WBTC6581	11/1/2006	\$1	Standard EL ILF

Reference: §287.955.3. RSMo.

2. The Company failed to use the correct administrative surcharge (0%) concerning year 2006 small deductible policies, resulting in the following three policy premium file overcharges.

Policy No.	Effective Date	Admin Surcharge	Premium Overcharge	Name of Review
20WB GI5801	1/1/2006	1.0%	\$207.00	Small Deductible
37WB KB8320	3/12/2006	1.0%	\$1.00	Small Deductible
37WB RE7996	9/1/2006	1.0%	\$14.00	Small Deductible

Reference: §287.716.1. RSMo.

1. Underwriting and Rating Practices:

The examiners requested a sample of Missouri Twin City Fire Insurance Company Workers Compensation Large Deductible policies and another concerning Small Deductible policies during the examination period.

The following are the results of the reviews:

1. The Company failed to maintain file documentation necessary for the examiners to reconstruct how the policy premium was determined. The examiners were unable to determine how the scheduled modification rate was arrived at in the following two policy files.

No.	Policy No.	Eff. Date
1	37WBBO4487	12/31/2008
2	84WBLA4101	7/1/2008

Reference: §§287.937.2, 287.350, 374.205.2.(2) RSMo, and 20 CSR 300-2.200 [as replaced by 20 CSR 100-8.040(3)(A) eff. 1/30/2009.

2. The examiners found that the Company failed to adhere to the rules of the National Council on Compensation Insurance (NCCI)'s Basic Manual by failing to attach mandatory form number WC240602B to the following three policy files.

No.	Policy #	Eff. Date	Name of Review
1	20WNMS9260	10/1/2010	Large Deductible
2	20WNMS9260	10/1/2011	Large Deductible

Reference: §287.955.3. RSMo and NCCI Forms Manual.

3. The examiners found that the Company failed to adhere to the manual rules of the National Council on Compensation Insurance (NCCI) in writing and reporting its business. The Company used an incorrect premium discount rate in the following policy file.

No.	Policy #	Eff. Date	Name of Review
1	20WBGG2229	1/30/2010	Small Deductible

Reference: §287.955.3. RSMo, NCCI Basic Manual (2001 MO)-Miscellaneous Rules: MO Workers Compensation Premium Algorithm.

4. The examiners found that the Company failed to adhere to the uniform classification system and uniform experience rating plan. The Company used an incorrect deductible credit in all of the following 21 policy files. Additionally the company used incorrect experience modifiers in items four, five, six and nine.

No.	Policy #	Eff. Date	Incorrect Rate Used	Correct Rate Used	U/C	O/C	Est. Int. as of date of criticism	Total O/C	Paid/ Not Paid	Name of Review
1	20WBG2229	1/30/2010	7.2	5.3	\$5.00					Small Deductible
2	37WBBO4487	12/31/2009	.071	.66	\$183.00					Small Deductible
3	37WBFK9844	1/12/2009	3.9	2.8	\$129.00					Small Deductible
4	39WBTA8018	1/1/2009	17.6	2.8	\$46.00					Small Deductible
5	39WBTA8018	1/1/2010	17.6	8.1	\$110.00					Small Deductible
6	83WBPL8636	9/27/2012	6.8	4.1	\$8.00					Small Deductible
7	39WBTA8018	1/1/2011	8.1	8.0	\$72.00					Small Deductible
8	37WBKB8320	3/12/2006	6.3	6.8		\$9.00	\$4.28	\$13.28	Paid	Small Deductible
9	37WBKE3116	1/1/2006	6.3	6.8	\$3,031.00					Small Deductible
10	84WBCR3992	10/31/2011	4.2	2.7	\$224.00					Small Deductible
11	21WBZH5972	12/9/2010	.79	.83		\$2.00		\$2.00	Not Paid	Small Deductible
12	39WBTA8018	1/1/2007	.176	.114	\$46.00					Small Deductible
13	22WBRJ0631	3/1/2007	.068	.04	\$8.00					Small Deductible
14	20WBG2229	1/30/2006	.067	.117		\$21.00	\$10.23	\$31.23	Not Paid	Small Deductible
15	20WBG2229	1/30/2007	.074	.086		\$8.00	\$3.17	\$11.17	Not Paid	Small Deductible
16	20WBG2229	1/30/2009	.072	.051	\$3.00					Small Deductible
17	22WBRJ0775	1/1/2009	.056	.028	\$694.00					Small Deductible
18	37WBTA4930	1/1/2007	.042	.035	\$24.00					Small Deductible
19	37WBBO4487	12/31/2007	.071	.066	\$148.00					Small Deductible
20	37WBZF8498	7/1/2009	.039	.028	\$8.00					Small Deductible
21	39WBTA8018	1/1/2008	.176	.111	\$28.00					Small Deductible

Reference: §287.955.1. RSMo, and NCCI Basic Manual (2001) MO – Miscellaneous Rules, Missouri Workers’ Compensation Premium Algorithm.

5. 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 resulted in the following 22 policy file errors.

No.	Policy #	Eff. Date	Premium O/C	Est. Int. as of date of criticism	Total O/C	Paid/Not Paid	SIF O/P	SIF U/P	Name of Review
1	20WBG2229	1/30/2010					\$1.00		Small Deductible
2	37WBBO4487	12/31/2009						\$6.00	Small Deductible
3	37WBFK9844	1/12/2008						\$2.00	Small Deductible
4	37WBFK9844	1/12/2009					\$2.00		Small Deductible
5	37WBFK9844	1/12/2011					\$2.00		Small Deductible
6	42BDO4747	7/19/2011	\$69.00				\$52.00		Small Deductible
7	39WBTA8018	1/1/2011						\$1.00	Small Deductible
8	37WBKE3116	1/1/2006					\$32.00		Small Deductible
9	37WBRE7996	9/1/2006					\$5.00		Small Deductible
10	37WBRE7996	9/1/2007						\$4.00	Small Deductible
11	37WBRE7997	9/1/2007	\$50.00	\$17.98	\$67.98	Not Paid	\$38.00		Small Deductible
12	84WBCR3992	10/31/2011						\$3.00	Small Deductible
13	22WBRJ0775	1/1/2008						\$4.00	Small Deductible
14	83WBRE3478	8/1/2008						\$57.00	Small Deductible
15	84WBLA4101	7/1/2009					\$1,211.00		Small Deductible
16	20WBG2229	1/30/2006					\$1.00		Small Deductible
17	20WBG2229	1/30/2007					\$1.00		Small Deductible
18	20WBG2229	1/30/2009					\$1.00		Small Deductible
19	22WBRJ0775	1/1/2009					\$1.00		Small Deductible
20	37WBBO4487	12/31/2007						\$1.00	Small Deductible
21	39WBTA8018	1/1/2007					\$1.00		Small Deductible
22	37WBFK9844	1/12/2011					\$1.00		Small Deductible

Reference: §§287.715.2., and 287.310.9, RSMo

- 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 use the correct terrorism rate for the following two policy files.

No.	Policy #	Eff. Date	Premium U/C	Name of Review
1	02WNMS9670	1/1/2006	\$6.00	Large Deductible
2	61WND75600	1/1/2008	\$455.00	Large Deductible

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

7. 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 used a deductible credit factor that was not filed in the following 17 policy files.

No.	Policy #	Eff. Date	Name of Review
1	39WBTA8018	1/1/2009	Small Deductible
2	39WBTA8018	1/1/2010	Small Deductible
3	39WBTA8018	1/1/2011	Small Deductible
4	37WBKB8320	3/12/2006	Small Deductible
5	37WBKE3116	1/1/2006	Small Deductible
6	84WBCR3992	10/31/2011	Small Deductible
7	21WBZH5972	12/9/2010	Small Deductible
8	22WBRJ0631	3/1/2007	Small Deductible
9	20WBG2229	1/30/2006	Small Deductible
No.	Policy #	Eff. Date	Name of Review

10	20WBGG2229	1/30/2007	Small Deductible
11	20WBGG2229	1/30/2009	Small Deductible
12	22WBRJ0775	1/1/2009	Small Deductible
13	37WBTA4930	1/1/07	Small Deductible
14	37WBBO4487	12/31/2007	Small Deductible
15	37WBZF8498	7/1/2009	Small Deductible
16	39WBTA8018	1/1/2007	Small Deductible
17	39WBTA8018	1/1/2008	Small Deductible

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

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 filed its large deductible plan; however, the following 13 policy files were rated on individual risk characteristics and those factors were not included in the large deductible plan.

No.	Policy #	Eff. Date	Name of Review
1	02WNMS9670	1/1/2006	Large Deductible
2	20WND70500	6/1/2007	Large Deductible
3	20WNMS9260	10/1/2010	Large Deductible
4	20WNMS9260	10/1/2011	Large Deductible
5	20WNMS9960	8/1/2006	Large Deductible
6	20WNMS9960	8/1/2007	Large Deductible
No.	Policy #	Eff. Date	Name of Review

7	22WNMS9252	10/1/2006	Large Deductible
8	57WNC93200	5/31/2007	Large Deductible
9	57WNMS9890	5/30/2007	Large Deductible
10	61WND75600	6/1/2006	Large Deductible
11	61WND75600	6/1/2007	Large Deductible
12	61WND75600	1/1/2008	Large Deductible
13	61WNMG3130	7/30/2007	Large Deductible

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

9. The Company failed to apply the Administrative Surcharge rate to the premium that would have been paid for the deductible credit portion of the policy. In calculating the surcharge owed, the premiums upon which the surcharge is assessed are those that would have been paid for the deductible credit portion of the policy. This resulted in the following 19 policy file errors.

No.	Policy #	Eff. Date	Administrative O/C	Administrative U/C	Name of Review
1	37WBBO4487	12/31/2009		\$6.00	Small Deductible
2	37WBFK9844	1/12/2009	\$1.00		Small Deductible
3	37WBFK9844	1/12/2010	\$2.00		Small Deductible
4	37WBFK9844	1/12/2011	\$1.00		Small Deductible
5	42BDO4747	7/19/2011	\$17.00		Small Deductible
6	37WBKB8320	3/12/2006	\$7.00		Small Deductible
7	37WBKE3116	1/1/2006	\$207.00		Small Deductible

No.	Policy #	Eff. Date	Administrative O/C	Administrative U/C	Name of Review
8	37WBRE7996	9/1/2007		\$1.00	Small Deductible
9	37WBRE7997	9/1/2007	\$12.00		Small Deductible
10	84WBCR3992	10/31/2011	\$1.00		Small Deductible
11	22WBRJ0775	1/1/2008	\$3.00		Small Deductible
12	83WBRE3478	8/1/2008	\$14.00		Small Deductible
13	84WBLA4101	7/1/2009	\$7.00		Small Deductible
14	20WBG2229	1/30/2006		\$1.00	Small Deductible
15	22WBRJ0775	1/1/2009		\$4.00	Small Deductible
16	37WBBO4487	12/31/2007	\$1.00		Small Deductible
17	39WBTA8018	1/1/2007	\$1.00		Small Deductible
18	39WBTA8018	1/1/2008	\$1.00		Small Deductible
19	37WBRE7996	9/1/2006	\$14.00		Small Deductible

Reference: §287.716. and 287.310.9 RSMo

10. The Company failed to use the correct scheduled modification credit rating factor in the following two policy files creating one policy premium undercharge and one policy premium overcharge.

No.	Policy #	Eff. Date	Incorrect Rate Used	Correct Rate	Premium U/C	Premium O/C	Est. Int. as of date of criticism	Total	Paid/Not Paid	Name of Review
1	83WBRE3478	8/1/2008	5%	2%	\$3,329.00					Small Deductible
2	84WBLA4101	7/1/2009	10%	16%		\$40,312.00	\$7,479.42	\$47,791.42	Not Paid	Small Deductible

Reference: §287.955.1. RSMo, and NCCI Basic Manual (2001 Mo) – Miscellaneous Rules, Missouri Workers Compensation Premium Algorithm.

11. The Company failed to keep the dividend payment separate from the rating plan. The dividend credit factor of 4% was included in the rating of the following five policies issued with a dividend plan. This resulted in policy premium undercharges in all five policies.

No.	Policy #	Eff. Date	Premium Undercharge	Name of Review
1	21WBZH5972	12/9/2009	\$14	Small Deductible
2	39WBTA8018	1/1/2009	\$46	Small Deductible
3	39WBTA8018	1/1/2010	\$110	Small Deductible
4	39WBTA8018	1/1/2011	\$72	Small Deductible
5	39WBTA8018	1/1/2008	\$47	Small Deductible

Reference: §287.932.1. RSMo

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

Field Size: 13
 Sample Size: 13
 Type of Sample: Census
 Number of Errors: 13
 Error Ratio: 100.0%
 Within DIFP Guidelines: No

12. The following 13 policy files were discovered to be in violation of Missouri's Unfair Trade Practices Act. 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.

No.	Policy #	Eff. Date	Name of Review
1	02WNMS9670	1/1/2006	Large Deductible

No.	Policy #	Eff. Date	Name of Review
2	20WND70500	6/1/2007	Large Deductible
3	20WNMS9260	10/1/2010	Large Deductible
4	20WNMS9260	10/1/2011	Large Deductible
5	20WNMS9960	8/1/2006	Large Deductible
6	20WNMS9960	8/1/2007	Large Deductible
7	22WNMS9252	10/1/2006	Large Deductible
8	57WNC93200	5/31/2007	Large Deductible
9	57WNMS9890	5/30/2007	Large Deductible
10	61WND75600	6/1/2006	Large Deductible
11	61WND75600	6/1/2007	Large Deductible
12	61WND75600	1/1/2008	Large Deductible
13	61WNMG3130	7/30/2007	Large Deductible

Reference: §375.924.1. RSMo

13. The Company failed to use the correct administrative surcharge rate (0%) concerning one 2006 small deductible policy and two 2006 large deductible policies, resulting in the following three policy file errors.

No.	Policy #	Eff. Date	Prem O/C	Interest	Total	Admin O/C	Name of Review
1	37WBRE7996	9/1/2006	\$19.00	\$8.48	\$27.48		Small Deductible
2	22WNMS9252	10/1/2006				\$90.00	Large Deductible
3	O2WNMS9670	1/1/2006				\$2.00	Large Deductible

Reference: §287.716.1. RSMo.

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. The complaint registry contained two complaints that were sent directly to the Missouri DIFP.

A. Complaints Sent Directly to the Missouri 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 reviewed two complaints the Company received and responded to from the Missouri DIFP.

The examiners discovered no issues or concerns.

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.

A. Criticism Time Study

<u>Calendar Days</u>	<u>Number of Criticisms</u>	<u>Percentage</u>
Received within the time limit including any extensions:	44	100.0%
Received outside time limit including any extensions:	0	0.0%
No response:	0	0.0%
Total:	44	100.0%

The examiners discovered no issues or concerns.

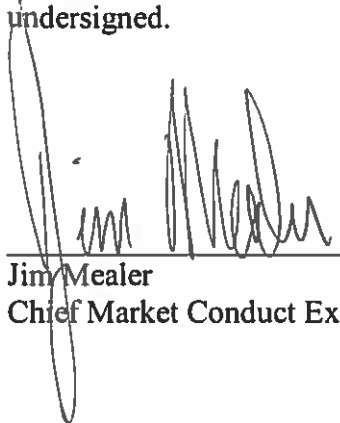
B. Formal Request Time Study

<u>Calendar Days</u>	<u>Number of Formal Requests</u>	<u>Percentage</u>
Received within the time limit including any extensions:	6	100.0%
Received outside time limit including any extensions:	0	0.0%
No response:	0	0.0%
Total:	6	100.0%

The examiners discovered no issues or concerns.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Twin City Fire Insurance Company (NAIC #29459), Examination Number 1104-36-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

4/27/16

Date