

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

In Re:

HARTFORD CASUALTY INSURANCE COMPANY (NAIC # 29424)) Market Conduct Exam No. 1104-32-TGT

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 Hartford Casualty Insurance Company (NAIC #29424) (hereafter referred to as "Hartford Casualty"), report number 1104-32-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 Casualty 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 Casualty shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place Hartford Casualty 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 Casualty 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:)

)
**HARTFORD CASUALTY INSURANCE) Market Conduct Exam No. 1104-32-TGT
COMPANY (NAIC #29424))**

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division") and Hartford Casualty Insurance Company (NAIC #29424) (hereinafter "Hartford Casualty"), 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 Casualty 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 Casualty; and

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

1. In one instance, Hartford Casualty did not attach a mandatory form to a policy in violation of §287.955.3¹.

2. In one instance, Hartford Casualty allowed a MOCCPAP credit where the insured was ineligible to receive the credit in violation of §287.955.3.

3. In several instances, Hartford Casualty did not verify payroll at audit for the MOCCPAP credit in violation of §287.955.3.

4. In one instance, Hartford Casualty did not use the correct schedule rating factor in violation of §287.955.3.

5. In several instances, Hartford Casualty used an incorrect experience mod factor in violation of §287.955.3.

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

6. In two instances, Hartford Casualty did not use the correct deductible credit factor in violation of §287.955.3.

7. In several instances, Hartford Casualty did not apply the Second Injury Fund Surcharge rate to the premium that would have been paid in the absence of the deductible credit in violation of §287.715 and §287.310.9.

8. In one instance, Hartford Casualty did not file an individual rating plan for a large deductible policy in violation of §287.947.

9. In one instance, Hartford Casualty did not apply its filed terrorism rate in violation of §287.947.1 and 20 CSR 500-6.950.

10. In two instances, Hartford Casualty did not apply the filed deductible credit rate in violation of §287.947.1 and 20 CSR 500-6.950.

11. In one instance, Hartford Casualty did not apply the correct Administrative Surcharge rate to premium in violation of §287.716.1.

12. In one instance, Hartford Casualty failed to keep the dividend payment separate from the rating plan in violation of §287.932.2.

13. In one instance, Hartford Casualty did not include the phone number of the insured on large deductible policies in violation of §375.924.1.

14. In one instance, Hartford Casualty did not apply the Administrative Surcharge rate to the premium that would have been paid in the absence of the deductible credit in violation of §287.716.2 and 287.310.9.

15. In one instance, Hartford Casualty did not document the basis for the rating of a policy in violation of §287.937.2, §374.205.2(2) and 20 CSR 300-2.200.

WHEREAS, the Division and Hartford Casualty 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 Casualty 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 Casualty 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 Casualty 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 Casualty 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 Casualty 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 Casualty 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 Casualty 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 Casualty 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 Casualty 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 Hartford Casualty, other than those agreed to in this Stipulation, for the conduct found in Market Conduct Exam Report 1104-32-TGT.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by Hartford Casualty 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 Casualty, 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



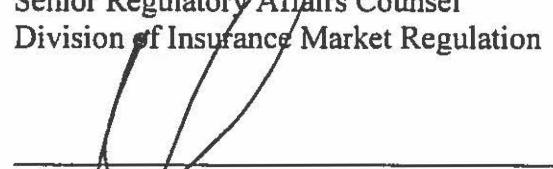
Angela L. Nelson
Director, Division of Insurance
Market Regulation

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
Hartford Casualty Insurance Company

DATED: 4/15/16

Richard S. Brownlee, III

Richard S. Brownlee, III
Counsel for Hartford Casualty 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**

**Hartford Casualty Insurance Company
NAIC Group #0091
NAIC #29424**

MISSOURI EXAMINATION # 1104-32-TGT

NAIC EXAM TRACKING SYSTEM # MO341-M77

April 27, 2016

**Hartford Casualty Insurance Company
One Hartford Plaza
Hartford, Connecticut 06115**

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FOREWORD

This is a targeted market conduct examination report of Hartford Casualty Insurance Company (NAIC Code #29424). 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 Hartford Casualty 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;
- “HCIC” refers to Hartford Casualty 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;
- “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.

Hartford Casualty Insurance Company

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 Casualty 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 1929, Hartford Casualty Insurance Company was incorporated as a wholly-owned subsidiary of Hartford Fire Insurance Company. At the present time the company is a wholly-owned subsidiary of Hartford Accident and Indemnity Company, which is, in turn, a wholly-owned subsidiary of Hartford Fire Insurance Company. Hartford Fire Insurance 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 Hartford Casualty Insurance Company (HCIC). The examiners found the following principal areas of concern:

- The examiners documented one instance where the Company failed to use the correct expense constant as found by the Company in a self-audit.
- The examiners found one instance where the Company failed to adhere to the rules of the National Council on Compensation Insurance (NCCI)'s Basic Manual by failing to attach a mandatory form to the policy.
- The examiners found six instances where the Company failed to follow the basic rules set forth by the NCCI in writing and reporting its business. The Company failed to send notice on an approved form concerning the MOCCPAP adjustment credit in one file, failed to verify payroll at audit in four files and used an incorrect schedule rating factor in one file.
- The examiners found three instances where the Company failed to use the correct experience mod factor.
- The examiners found two instances where the Company failed to use the correct deductible credit factor.
- The examiners found four instances where the Company failed to apply the Second Injury Fund Surcharge rate to the correct premium in the absence of the deductible credit.
- The examiners found four instances where the Company failed to file with the DIFP all rates and supplementary rate information no later than 30 days after the effective date. One file used unfiled rates for individual risk characteristics for a large deductible policy, one used an unfiled terrorism rate, and two files were found to have used an unfiled deductible credit rate.
- The examiners documented two instances (one by the examiners and another by the Company in a self-audit) where the Company failed to apply the correct Administrative Surcharge rate to the premium amount.
- The examiners found one instance where the Company failed to keep the dividend payment separate from the rating plan by including the rating dividend factor in the rating of the policy.
- The examiners found a Missouri Unfair Trade Practices Act issue in one instance resulting in an error ratio of 100%. The Company failed to provide the Company's telephone number to the insured within the policy or in written form annexed to the policy for the insured's reference.
- The examiners found three instances where the Company failed to apply the Administrative Surcharge rate to the correct premium in the absence of the deductible credit.
- The examiners found one instance where the Company failed to document the basis for the schedule rating modification used to determine the premium.

Examiners requested that the Company make refunds concerning underwriting premium overcharges 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 other 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 Casualty 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.

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 are listed together but may have been identified in separate reviews.

The following is a list of 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 | 1 | 1 |
| Small Deductible | Census | 11 | 11 |
| Complaints | Census | 3 | 3 |

Total Number of files reviewed: 20

The examiners reviewed a census sample of one Large Deductible policy file. A census sample of 11 Small Deductible policy files was reviewed.. Three Complaint files were reviewed. A census total of five MOCCPAP files was targeted for review bringing the total number of files to 20 in conducting the examiners 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. 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, two issues were discovered concerning Hartford Casualty Insurance Company as described in the following paragraphs.

The Company failed to use the correct expense constant amount in one policy file. A census of three policy files was identified for review. One was found in error regarding policy number 84WBCPA7921 (eff. Date 6/1/2007) creating a \$2 premium undercharge to the insured.

The other issue involved the incorrect usage of the administrative surcharge. A 1% surcharge was used instead of the correct surcharge of 0% for year 2006 for small deductible policies. Two files were found in error. Regarding one policy (policy number 83WBSX7375 eff. 6/20/2006), a \$5 premium overcharge was discovered. The examiners request reimbursement to the insured for amounts greater than \$5. The other policy (policy number 37WBKC7474 eff. 7/1/2006), resulted in an Administrative overcharge of \$39 which was previously found by the examiners and criticized in this report.

1. Underwriting and Rating Practices:

The examiners requested a sample from the total population of Missouri Hartford Casualty 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 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 a mandatory MOCCPAP form to the following policy.

| Policy No. | Form No. | Name of Review |
|-----------------------------|-----------------|-----------------------|
| 84WBCIR0206 eff. 12/11/2008 | WC240401 | MOCCPAP |

Reference: §287.955.3. RSMo and NCCI Forms Manual.

2. The examiners found that the Company failed to adhere to the manual rules of the National Council on Compensation Insurance (NCCI)'s Basic Manual in writing and reporting its business regarding the following policy file. The Company allowed a MOCCPAP credit, which the insured was not eligible for, resulting in the following premium undercharge.

| Policy No. | Premium Undercharge | Name of Review |
|-----------------------------|----------------------------|-----------------------|
| 84WBCIR0206 eff. 12/11/2008 | \$352 | MOCCPAP |

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

3. The examiners found that the Company failed to adhere to the manual rules of the National Council on Compensation Insurance (NCCI)'s Basic Manual in writing and reporting its business regarding the following policy file. The Company failed to verify payroll at audit for the MOCCPAP credit concerning the following four policies.

| Policy No. | Name of Review |
|----------------------------|-----------------------|
| 20WBQT1933 eff. 12/31/2008 | MOCCPAP |
| 84WBCBO9014 eff. 2/3/2008 | MOCCPAP |
| 84WBCII2590 eff. 3/20/2008 | MOCCPAP |
| 84WBCIJ4401 eff. 7/1/2008 | MOCCPAP |

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

4. 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 use the correct schedule rating factor resulting in the following undercharge.

| Policy No. | Premium Undercharge | Name of Review |
|-------------------------|---------------------|------------------|
| 84WBU1497 eff. 4/1/2010 | \$6,243 | Small Deductible |

Reference: §287.955.3. RSMo.

5. The examiners found that the Company failed to adhere to the uniform classification system and uniform experience rating plan in the following three files by failing to use the correct experience mod factor.

| Policy No. | Correct Exp. Mod. | Incorrect Exp. Used | Premium O/C | Premium U/C | Paid/Not Paid | Name of Review |
|-------------------------|-------------------|---------------------|-------------|-------------|---------------|------------------|
| 84WBU1497 eff. 4/1/2009 | .98 | .9801 | \$86.09 | | Not Paid | Small Deductible |
| 84WBU1497 eff. 4/1/2010 | .98 | .9809 | | \$6,243.00 | | Small Deductible |
| 84WBU1497 eff. 4/1/2011 | 1.02 | 1.019828 | | \$85.00 | | Small Deductible |

Reference: §287.955.1. RSMo. and NCCI Basic Manual-2001 Edition, Appendix E, Miscellaneous Rules, and Missouri Worker's Compensation Premium Algorithm.

6. The examiners found that the Company failed to use the correct deductible credit factor resulting in the following two undercharges. In policy 83WBSX7375 6.6% was used when 6.5% was correct. In policy 84WBU1497 6.2% was used when 6.1% was correct.

| Policy No. | Premium Undercharge | Name of Review |
|---------------------------|---------------------|------------------|
| 83WBSX7375 eff. 6/20/2008 | \$7 | Small Deductible |
| 84WBPU1497 eff. 4/1/2011 | \$85 | Small Deductible |

Reference: §287.955.3. RSMo, and NCCI Basic Manual-2001 Edition, Appendix E, Miscellaneous Rules, and Missouri Worker's Compensation Premium Algorithm.

- 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 four incorrect charges.

| Policy No. | SIF O/Pymnt | SIF U/Pymnt | Premium O/C | Interest | Total | Paid/Not Paid | Name of Review |
|-----------------------------|-------------|-------------|-------------|----------|---------|---------------|------------------|
| 84WBPU1497 eff. 4/1/2009 | \$57.00 | | \$73.00 | \$13.09 | \$86.09 | Not Paid | Small Deductible |
| 84WBPU1497 eff. 4/1/2010 | | \$139.00 | | | | | Small Deductible |
| 84WBPU1497 eff. 4/1/2011 | \$30.00 | | | | | | Small Deductible |
| 84WBCIR0206 eff. 12/11/2008 | | \$10.00 | | | | | MOCCPAP |

Reference: §§287.715, 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 filed its large deductible plan; however, the following policy file was rated on individual risk characteristics and those factors were not included in the large deductible plan.

| Policy No. | Name of Review |
|--------------------------|-----------------------|
| 20WNMS9530 eff. 7/1/2009 | Large Deductible |

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

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. The Company negotiated the terrorism factor with the insured instead of using its filed terrorism rate. The error resulted in the following premium undercharge.

| Policy No. | Premium Undercharge | Name of Review |
|--------------------------|----------------------------|-----------------------|
| 20WNMS9530 eff. 7/1/2009 | \$2.00 | Large Deductible |

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

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 filed deductible credit rate in the following two files.

| Policy No. | Name of Review |
|---------------------------|-----------------------|
| 83WBSX7375 eff. 6/20/2008 | Small Deductible |
| 84WBPU1497 eff. 4/1/2009 | Small Deductible |

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

11. The Company failed to apply the correct Administrative Surcharge rate to the premium amount, resulting in the following Administrative Surcharge overpayment.

| Policy No. | Admin Overpayment | Name of Review |
|--------------------------|--------------------------|-----------------------|
| 37WBKC7474 eff. 7/1/2006 | \$39.00 | Small Deductible |

Reference: §287.716.1. RSMo

12. 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, resulting in the following policy file error and premium undercharge.

| Policy No. | Premium Undercharge | Name of Review |
|---------------------------|----------------------------|-----------------------|
| 84WBCBO9014 eff. 2/3/2008 | \$940 | MOCCPAP |

Reference: §287.932.2. RSMo

13. The examiners requested a sample from the total population of Missouri Hartford Casualty Insurance Company Workers Compensation Large Deductible policies during the examination period. The Company only had one large deductible policy. The examiners conducted a census review. That policy had an error that resulted in a 100% error ratio.

The following policy file was found to be in violation of Missouri's Unfair Trade Practices Act. The examiners found that the Company failed to include the phone number of the insurer within the policy or contract or in written form annexed to the policy.

| Policy No. | Name of Review |
|--------------------------|-----------------------|
| 20WNMS9530 eff. 7/1/2009 | Large Deductible |

Reference: §375.924.1. RSMo

14. 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 two Administrative Surcharge overpayments and one Administrative Surcharge underpayment.

| Policy No. | Admin Overpayment | Admin Underpayment | Name of Review |
|-------------------------|-------------------|--------------------|------------------|
| 84WBU1497 eff. 4/1/2009 | \$9.00 | | Small Deductible |
| 84WBU1497 eff. 4/1/2010 | | \$15.00 | Small Deductible |
| 84WBU1497 eff. 4/1/2011 | \$10.00 | | Small Deductible |

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

15. The Company failed to document the basis for the rating of the following policy file. The Company applied a 3% rating modification credit that was used in determining the final premium. The examiners were unable to find documentation in the file to support the basis for the rating modification that was applied.

| Policy No. | Name of Review |
|----------------------------|----------------|
| 20WBQT1933 eff. 12/31/2008 | MOCCPAP |

Reference: §§287.937.2., 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.

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 did not contain any complaints that were sent directly to the Missouri DIFP including those that were sent directly to the Company.

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 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 time limit including any extensions: | 11 | 100.0% |
| Received outside time limit including any extensions: | 0 | 0.0% |
| No response: | 0 | 0.0% |
| Total: | 11 | 100.0% |

The examiners discovered no issues or concerns.

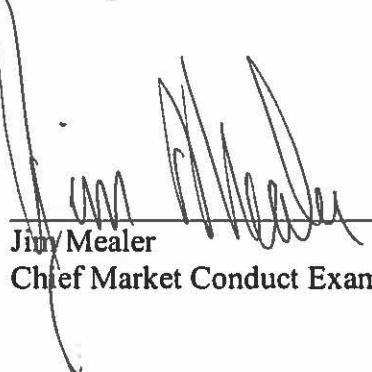
B. Formal Request Time Study

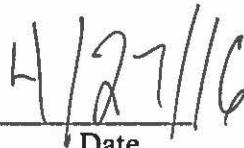
| <u>Calendar Days</u> | <u>Number of Formal Requests</u> | <u>Percentage</u> |
|---|----------------------------------|-------------------|
| Received within time limit including any extensions: | 7 | 100.0% |
| Received outside time limit including any extensions: | 0 | 0.0% |
| No response: | 0 |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

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 Hartford Casualty Insurance Company (NAIC #29424), Examination Number 1104-32-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