



Report on

Market Conduct Examination

of the

Travelers Property Casualty Company of America  
Northland Insurance Company  
Travelers Casualty Insurance Company of America  
The Travelers Indemnity Company  
The Travelers Indemnity Company of America  
The Travelers Indemnity Company of Connecticut  
Hartford, Connecticut

by Representatives of the

North Carolina Department of Insurance

as of

January 10, 2019

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Raleigh, North Carolina  
January 10, 2019

Honorable Mike Causey  
Commissioner of Insurance  
Department of Insurance  
State of North Carolina  
Albemarle Building  
325 N. Salisbury Street  
Raleigh, North Carolina 27603

Honorable Paul Lombardo  
Acting Commissioner of Insurance  
Connecticut Insurance Department  
153 Market Street, 7<sup>th</sup> Floor  
Hartford, Connecticut 06103

Honorable Commissioners:

In accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of the following entities:

**Travelers Property Casualty Company of America (NAIC #25674)**  
**Northland Insurance Company (NAIC #24015)**  
**Travelers Casualty Insurance Company of America (NAIC #19046)**  
**The Travelers Indemnity Company (NAIC #25658)**  
**The Travelers Indemnity Company of America (NAIC #25666)**  
**The Travelers Indemnity Company of Connecticut (NAIC #25682)**  
NAIC Exam Tracking System Exam Number: NC-NC094-8  
Hartford, Connecticut  
(hereinafter generally referred to as the Companies)

The examination was conducted at the North Carolina Department of Insurance (Department) office located at 325 N. Salisbury Street, Raleigh, North Carolina. A report thereon is respectfully submitted.

## SCOPE OF EXAMINATION

This examination commenced on May 29, 2018, and covered the period of January 1, 2016, through December 31, 2017. Analyses of certain operations of the Companies were concluded during the Wrap-Up Conference which was held on December 18, 2018. All comments made in this report reflect conditions observed during the period of examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, and consisted of an examination of the Companies' practices and procedures in marketing and underwriting. The findings and conclusions contained within the report are based on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0 percent tolerance level for producers who were not appointed and/or licensed, and the use of forms and rates/rules that were neither filed with nor approved by the Department; and 5 percent for all other areas reviewed. Sample sizes were generated using Audit Command Language software. The Department utilized a 95% Confidence Level to determine the error tolerance level.

## EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Companies' procedures and practices in the following areas:

*Marketing* - An application form used was not filed and approved by the Department.

*Underwriting Practices* – Commercial Automobile: Producers that were not licensed and/or properly appointed by the Companies.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site [www.ncdoi.com](http://www.ncdoi.com).

This examination identified statutory violations which may extend to other jurisdictions. The Companies are directed to take immediate corrective action to demonstrate their ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions must be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

## **MARKETING**

### Policy Forms and Filings

Policy forms and filings for the Companies were reviewed to determine compliance with appropriate North Carolina statutes and rules. We reviewed the following line of business:

- Commercial Automobile

Filings for the commercial automobile line of business were made to the Department by the Companies.

The Companies did not adhere to the provisions of 11 NCAC 10.1201(c) as one policy used an application form that was neither filed with nor approved by the Department. This error had no financial or coverage impact on the policyholder.

## **UNDERWRITING PRACTICES**

### Overview

The Companies' marketing in North Carolina is directed to personal and commercial lines of business. The Companies provided the examiners with listings of the following type of active policies for the period under examination:

- Commercial Automobile

A random selection of 238 policies was made from a total population of 1,405. Each policy was reviewed for adherence to underwriting guidelines, file documentation, and premium determination. Additionally, the policies were examined to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules.

#### Rate Evasion Procedures

The Companies' rate evasion procedures were reviewed to determine compliance with the provisions of NCGS 58-2-164. The Companies were deemed to be in compliance with the provisions of NCGS 58-2-164 as they have procedures in place to address other than nonfleet private passenger automobile rate evasion fraud.

#### Commercial Automobile – Light and Medium Trucks

One hundred nineteen policies were randomly selected for review from a population of 839. The Companies' light and medium commercial automobile policies were written on an annual basis. Coverages were written utilizing independently filed rates. Risk placement was determined by the Companies' underwriting guidelines and the underwriter. No discrepancies were noted in the Companies' use of its underwriting guidelines. All policy files contained sufficient documentation to support the Companies' classification of the risk.

The Companies did not adhere to the provisions of 58-33-26 (b) as the producer was not licensed on two files reviewed. The Companies did not adhere to the provisions of NCGS 58-33-40 (b) and 58-33-26 (i) as the producer was not properly appointed by the Companies on six files reviewed.

#### Commercial Automobile – Heavy and Extra Heavy Trucks/Tractors

One hundred nineteen policies were randomly selected for review from a population of 566. The Companies' heavy and extra heavy commercial automobile policies were written on an annual basis. Coverages were written utilizing independently filed rates. Risk placement was determined by the Companies' underwriting guidelines and the underwriter. No discrepancies

were noted in the Companies' use of its underwriting guidelines. All policy files contained sufficient documentation to support the Companies' classification of the risk.

### **COMMENTS, RECOMMENDATIONS, AND DIRECTIVES**

The Companies must not use new business applications until they have been properly filed with and approved by the Department. The Companies must not accept business from producers that are not properly licensed and appointed with the Companies.

### **CONCLUSION**

An examination has been conducted on the market conduct affairs of Travelers Property Casualty Company of America, Northland Insurance Company, Travelers Casualty Insurance Company of America, The Travelers Indemnity Company, The Travelers Indemnity Company of America, and The Travelers Indemnity Company of Connecticut for the period January 1, 2016, through December 31, 2017, with analyses of certain operations of the Companies being conducted through December 18, 2018.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of the Companies' operations in the areas of marketing and underwriting practices. In addition to the undersigned, Patricia Murphy, AIC, ARM, MCM, North Carolina Market Conduct Examiner, participated in this examination.


Respectfully submitted,



Brooke Hinnant, MCM  
Acting Examiner-In-Charge  
Market Regulation Division  
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



A handwritten signature in black ink on a light-colored background. The signature is written in a cursive style and reads "Teresa Knowles".

Teresa Knowles  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina