

REPORT ON
MARKET CONDUCT EXAMINATION

of the

HARTFORD UNDERWRITERS INSURANCE COMPANY
Hartford, Connecticut

BY REPRESENTATIVES OF THE
NORTH CAROLINA DEPARTMENT OF INSURANCE

as of

October 23, 2012

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Raleigh, North Carolina
October 23, 2012

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
430 N. Salisbury Street
Raleigh, North Carolina 27603

Honorable Thomas B. Leonardi
Commissioner of Insurance
Department of Insurance
State of Connecticut
153 Market Street, 7th Floor
Hartford, Connecticut 06103

Honorable Commissioners:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a compliance examination has been made of the market conduct activities of

**HARTFORD UNDERWRITERS INSURANCE COMPANY
(NAIC #30104)**

NAIC Exam Tracking System Exam Number: NC299-M11
Hartford, Connecticut

hereinafter generally referred to as the Company, at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

FOREWORD

This examination reflects the North Carolina insurance activities of Hartford Underwriters Insurance Company. The examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report, as reference to any practices, procedures, or files that manifested no improprieties were omitted.

SCOPE OF EXAMINATION

This compliance examination commenced on June 18, 2012 and covered the period of January 1, 2011 through December 31, 2011 with analyses of certain operations of the Company being conducted through October 15, 2012. This action was taken due to previous examination findings referenced in the Market Conduct Report of December 4, 2009.

The examination was arranged and conducted by the Department. It was made in accordance with Market Regulation standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC) and accordingly included tests of underwriting practices.

It is the Department's practice to cite companies in apparent violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 0 percent for consumer complaints, sales and advertising, 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; 7 percent for claims; and 10 percent for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing an apparent violation, the Department issues a reminder to the company.

Previous Examination Findings

A compliance examination covering the period January 1, 2006 through December 31, 2008 was performed on the Company and a report dated December 4, 2009 was issued. The compliance examination report identified concerns in the area of underwriting practices.

Specific previous violations relating to this area are listed within the appropriate sections of the report. Deficiencies noted in the previous examination report that did not exceed the Department's error tolerance thresholds were cited as reminders and may not appear as specific violations in this examination report. Any reminders which have not been sufficiently addressed by the Company, may be cited again in this examination report and thus may not appear in the "previous findings" as related to that particular section, but were an overall concern in the previous examination.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with Company procedures and practices in the following area:

Underwriting Practices – Commercial Automobile: premium credit not filed with and approved by the Department. Workers' Compensation: producers not properly appointed by the Company.

Specific violations related to each area of concern are noted in the appropriate section of this report. All North Carolina General Statutes cited in this report may be viewed on the North Carolina Department of Insurance Web site www.ncdoi.com by clicking "INSURANCE DIVISIONS" then "LEGISLATIVE SERVICES".

This examination identified various non-compliant practices, 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 in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify or criticize improper or non-compliant business practices in North Carolina or in other jurisdictions does not constitute acceptance of such practices. Examination

report findings that do not reference specific insurance laws, regulations, or bulletins are presented to improve the Company's practices and ensure consumer protection.

UNDERWRITING PRACTICES

Commercial Automobile

The Company's underwriting practices and procedures for active commercial automobile policies were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules, policy provisions, and the applicable rules of the Commercial Automobile Manual.

The previous examination revealed the following:

- The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-40 as 24.0 percent of the commercial automobile applications were accepted from a producer that was not appointed by the Company.
- The Company was deemed to be in apparent violation of the provisions of NCGS 58-36-30(a) and 58-37-40(f) as 52.0 percent of the commercial automobile premiums reviewed were rated incorrectly.

The Company provided a listing of 7 active commercial automobile policies issued during the period under examination. All 7 policies were selected and received for review. **The**

current examination revealed the following:

- The Company was deemed to be in compliance with the provisions of NCGS 58-33-40 as all of the commercial automobile applications reviewed were accepted from a producer that was appointed by the Company.
- The Company was deemed to be in compliance with the provisions of NCGS 58-36-30(a) and 58-37-40(f) as all commercial automobile policies reviewed were rated correctly.
- The Company was deemed to be in apparent violation of the provisions of NCGS 58-41-50(g) as 5 of the active commercial automobile policies reviewed included an "override" credit that had not been filed with and approved by the Department (71.4 percent error ratio).

Workers' Compensation

The Company's underwriting practices and procedures for active workers' compensation policies were reviewed to determine adherence to Company guidelines and compliance with

applicable North Carolina statutes and rules, policy provisions, and the applicable rules of the North Carolina Workers' Compensation Manual.

The previous examination revealed the following:

- The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-40 as 30.0 percent of the workers' compensation applications were accepted from a producer that was not appointed by the Company.

The Company provided a listing of 130 active workers' compensation policies issued during the period under examination. Fifty were randomly selected and received for review.

The current examination revealed the following:

- The Company was again deemed to be in apparent violation of the provisions of NCGS 58-33-40 as the producers were not properly appointed by the Company for 6 of the active workers' compensation files reviewed (12.0 percent error ratio).

SUMMARY

This compliance examination was undertaken to review and update the status of issues referenced in the Market Conduct Report of December 4, 2009. The current examination revealed the following:

1. Underwriting Practices

- a. The Company was deemed to be in apparent violation of the provisions of NCGS 58-41-50(g) as 71.4 percent of the active commercial automobile policies reviewed included an "override" credit that had not been filed with and approved by the Department.
- b. The Company was again deemed to be in apparent violation of the provisions of NCGS 58-33-40 as the producers on 12.0 percent of the active workers' compensation files reviewed were not properly appointed by the Company.

TABLE OF STATUTES AND RULES

<u>Statute/Rule</u>	<u>Title</u>
NCGS 58-2-131	Examinations to be made; authority, scope, scheduling, and conduct of examinations.
NCGS 58-2-132	Examination reports.
NCGS 58-2-133	Conflict of interest; cost of examinations; immunity from liability.

NCGS 58-2-134	Cost of certain examinations.
NCGS 58-33-40	Appointment of agents.
NCGS 58-36-30	Deviations.
NCGS 58-37-40	Plan of operation.
NCGS 58-41-50	Policy form and rate filings; punitive damages; data required to support filings.

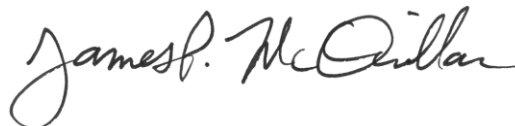
CONCLUSION

A compliance examination has been conducted on the market conduct affairs of Hartford Underwriters Insurance Company for the period January 1, 2011 through December 31, 2011 with analyses of certain operations of the Company being conducted through October 15, 2012.

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 Company operations in the area of underwriting practices.

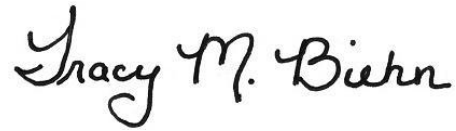
In addition to the undersigned, Gary Jones and Gina Abate, North Carolina Market Conduct Examiners participated in this examination and in the preparation of this report.

Respectfully submitted,



James P. McQuillan, CPCU, AIT
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 that reads "Tracy M. Biehn". The signature is written in a cursive style with a large initial 'T' and 'B'.

Tracy Miller Biehn, LPCS, MBA
Deputy Commissioner
Market Regulation Division
State of North Carolina