

STATE OF WASHINGTON

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MIKE KREIDLER
STATE INSURANCE COMMISSIONER



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 08-0166
)	
The Market Conduct Examination of)	FINDINGS, CONCLUSIONS,
)	AND ORDER ADOPTING REPORT
Metropolitan Casualty Insurance)	OF
Company and Affiliates)	MARKET CONDUCT EXAMINATION
)	
Metropolitan Property and Casualty)	
Insurance Company)	
)	
Metropolitan Group Property)	
and Casualty Insurance Company)	
)	
Metropolitan General Insurance)	
Company)	
)	
Economy Premier Assurance)	
Company)	
)	
Authorized Insurers)	

BACKGROUND

An examination of the market conduct of **Metropolitan Casualty Insurance Company, Metropolitan Property and Casualty Insurance Company, Metropolitan Group Property and Casualty Insurance Company, Metropolitan General Insurance Company, and Economy Premier Assurance Company** (the Companies) as of June 30, 2006 was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). The Companies, domiciled in the state of Rhode Island, hold Washington certificates of authority as stock insurers. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Companies for their comments on September 10, 2008. The Companies' response to the report is attached to this order only for the purpose of providing convenient review of the response.



The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Companies.

Subject to the right of the Companies to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 3 through 28 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct examination of **Metropolitan Casualty Insurance Company Metropolitan Property and Casualty Insurance Company, Metropolitan Group Property and Casualty Insurance Company, Metropolitan General Insurance Company, and Economy Premier Assurance Company**, and to order the Companies to take the actions described in the Instructions and Recommendations sections of the report. The Commissioner acknowledges that the Companies may have implemented the Instructions and Recommendations prior to the date of this order. The Instructions and Recommendations in the report are an appropriate response to the matters found in the examination.

ORDER

The market conduct examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

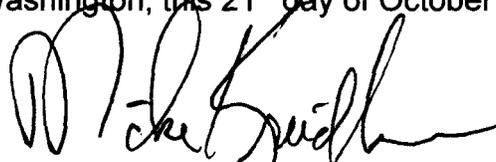
The Companies are ordered as follows, these being the Instructions and Recommendations contained in the examination report on page 23.

1. The Companies are ordered to comply with RCW 48.05.190(1) and conduct business in the legal name of the insurer. All checks and correspondence must clearly identify the insuring company. Instruction 1, Examination Report page 23.
2. The Companies are ordered to comply with RCW 48.22.085(1) and (2) and RCW 48.22.095 and offer minimum PIP to insureds as required, and to obtain a written rejection if the insured declines the coverage. The Companies are also ordered to cease the practice of adding the maximum PIP benefits allowed under RCW 48.22.100 without obtaining proof the insured requested this coverage. The Companies are further ordered to contact all insureds with

- in-force policies identified in the Antique Auto program to obtain the appropriate rejection/election options from the insured within ninety (90) days of the adoption of the report. Instruction 2, Examination Report page 23.
3. The Companies are ordered to comply with RCW 48.19.040(6) and issue policies in compliance with its filings. The Companies are specifically ordered to ensure agents submit applications with all information needed to ensure accurate rating of the policy. Instruction 3, Examination Report page 23.
 4. The Companies are ordered to comply with RCW 48.18.140(2)(a)-(f) and insure that all policies issued identify the name of the insurer, the policy form number, forms and endorsements and coverage limits on the policy as required. Instruction 4, Examination Report page 23.
 5. The Companies are ordered to comply with RCW 48.18.290 to ensure that cancellation notices to the lien holders are compliant with the requirements of the statute. Instruction 5, Examination Report page 23.
 6. It is ordered that the Companies consider reviewing the practice of using community-based WSRB protection classes and consider changing to rating based on factors that include address specific protection classes for property rating. Recommendation 1, Examination Report page 23.
 7. It is ordered that the Companies consider establishing a method of auditing property policies, regardless of the method for establishing protection classes, for accuracy of protection class selection to ensure accurate rating. Recommendation 2, Examination Report page 23.
 8. It is ordered that the Companies consider establishing a quality control audit program targeting the programs handled by managing general agents to ensure compliance to state laws and the Companies policies and procedures. Recommendation 3, Examination Report page 23.

IT IS FURTHER ORDERED THAT, the Companies file with the Chief Market Conduct Examiner, within 90 days of the date of this order, a detailed report specifying how the Companies have addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 21st day of October 2008.



MIKE KREIDLER
Insurance Commissioner

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MetLife®

Submitted Electronically
and By US Mail

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September 29, 2008

Mr. James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
State of Washington Office of Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

Re: Response to Draft MCE Report by:
Metropolitan Casualty Insurance Company NAIC #40169
Metropolitan Property and Casualty Insurance Company
NAIC # 26298
Metropolitan Group Property and Casualty Insurance
Company NAIC # 34339
Metropolitan General Insurance Company NAIC #39950
Economy Premier Assurance Company NAIC #40629

Dear Mr. Odiorne:

I have written on behalf of the above-referenced Companies [hereinafter referred to as either "Metropolitan" or "the Company"] in response to the draft Report of the Market Conduct Examination [hereafter referred to as the "Report"] received with your letter dated September 10, 2008. We have reviewed the Report and respectfully submit our response which is comprised of this letter with attachment.

I would like to say at the outset that we sincerely appreciate the professionalism and all of the courtesies extended by Chief Market Conduct Examiner Sally Eastman and her staff throughout this examination.

Our response attachment will first address the Instructions identified in the Report. The Instructions discuss measures that the Office of the Insurance Commissioner believes are necessary as a result of the noted violations. In addition,

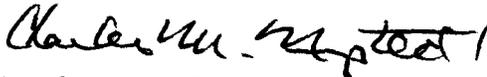
Mr. James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
September 29, 2008
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our response attachment will address the Recommendations that also appear in the Report. Finally, there are several areas of discussion in the Report that we respectfully request be corrected to completely detail those areas; please likewise see our response attachment for that commentary.

Lastly, we would like to note our conclusion with respect to the remaining areas of discussion in the Report which are not addressed in the Instructions/Recommendations or otherwise within our response attachment. Those areas discuss either a single error, or a statistically insignificant number of unique errors which represent no trend(s). We also believe that those instances reflect human error and as such are deviations from Metropolitan's established procedures. We do not believe that those matters require institutional corrective actions. However, it goes without saying that we will continue to strive to be totally compliant.

Please feel free to contact us with any questions or concerns. Thank you for your assistance.

Sincerely,


Charles M. Nystedt

Enclosure

9/29/08

Attachment to Response by Metropolitan
to Draft Report of Market Conduct Examination

Instructions:

1. The Companies are instructed to comply with RCW 48.05.190 (1) and conduct business in the legal name of the insurer. All checks and correspondence must clearly identify the insuring company.

As noted in the Report, Metropolitan has addressed the issue identified concerning the proper use of the complete and legal name of the writing company in question. Metropolitan currently utilizes the brand MetLife Auto & Home® to establish recognition and loyalty among its customers and consumers in general. It has never been the intention of the Company to be, or give the appearance of being, noncompliant with this requirement. Furthermore, it has never been our intention to deceive a customer or consumer in any way. We have corrected our claim settlement drafts to identify the name of the individual writing company for the policy against which the claim is presented. We believe that Office of the Insurance Commissioner will find these corrective measures acceptable and determine the Company is now compliant with this requirement.

2. The Companies are instructed to comply with RCW 48.22.085(1) and (2) and RCW 48.22.095 and offer minimum PIP to insureds as required, and to obtain a written rejection if the insured declines the coverage. The Companies are also instructed to cease the practice of adding the maximum PIP benefits allowed under RCW 48.22.100 without obtaining proof the insured requested this coverage. The Companies are further instructed to contact all insureds with in-force policies identified in the Antique Auto program to obtain the appropriate rejection/election options from the insured within ninety (90) days of the adoption of the report.

Metropolitan has addressed the identified issue with the Managing General Agency of our Collectible Vehicle line of business as described in the Report. Appropriate election/rejection forms are now required

for PIP coverage. If no form is received, the correct minimum coverage required by the statute is applied to the policy. All collectible vehicle policies for the state of Washington were reviewed and policy holders contacted in order to correct this issue in a timely manner. This was completed by May 15, 2008. We are reviewing the feasibility of the measures necessary to effect a periodic compliance review of the Managing General Agency on this issue.

3. The Companies are instructed to comply with RCW 48.19.040(6) and issue policies in compliance with its filings. The Companies are specifically instructed to ensure agents submit applications with all information needed to ensure accurate rating of the policy.

Metropolitan has determined that the noted issue resulted from the conversion of a group of policies from one computer system to an updated system in use at that time. The date of birth 9/9/89 was used as a default entry for the transition of those policies, where the date of birth factor was not completed in the original policy records. It should be further noted that this incident was an isolated circumstance and is not on-going. Our current internet-based quoting and servicing system does not allow for new business policies to be processed with incomplete data. The Company is in the process of contacting our policy holders and agents in order to secure the necessary dates of birth and apply rating discounts where applicable. The completion date for this project has not been confirmed at this date; however, the Company anticipates completion by the end of the first quarter of 2009.

4. The Companies are instructed to comply with RCW 48.18.140(2)(a)-(f) and insure that all policies issued identify the name of the insurer, the policy form number, forms and endorsements and coverage limits on the policy as required.

Metropolitan currently utilizes the brand MetLife Auto & Home® to establish recognition and loyalty among its customers and among consumers in general. It has never been the intention of the Company to be, or give the appearance of being, noncompliant with this requirement. Furthermore, it has never been our intention to deceive a customer or consumer in any way. The policies issued for our collectible vehicle book of business properly reflect the writing company,

as noted in Instruction #1 above. Declaration pages reflecting this change have been re-issued to the policy holders accordingly.

5. The Companies are instructed to comply with RCW 48.18.290 to ensure that cancellation notices to the lien holders are compliant with the requirements of the statute.

Metropolitan filed and received approval for a new lien holder notification notice during the course of the examination. This notification letter was implemented on June 30, 2007 for new business and July 31, 2007 for renewal business.

Recommendations:

1. It is recommended that the Companies review the practice of using community-based WSRB protection classes and consider changing to rating based on factors that include address specific protection classes for property rating.

Thank you for this recommendation. We will consult with our business partners to carefully evaluate our current practices and methodically review the business case for use of the WSRB address specific protection classes for property rating.

2. It is recommended that the Companies establish a method of auditing property policies, regardless of the method for establishing protection classes, for accuracy of protection class selection to ensure accurate rating.

Again, thank you for this recommendation. As with the first recommendation, we will consult with our business partners to carefully evaluate our current practices and methodically review the implementation of an audit process to ensure accuracy of protection class selection and accuracy of policy rating.

3. It is recommended that the Companies establish a quality control audit program targeting the programs handled by managing general agents to ensure compliance to state laws and the Companies policies and procedures.

Thank you for this last recommendation. As with the first two recommendations, we will consult with our business partners to review the feasibility of the measures necessary to audit our Managing General Agency to ensure compliance with state law.

Corrections:

Metropolitan respectfully requests the following corrections be considered for the Report:

1. The following is quoted from the middle of page 11 of the draft Report:

"During the rating verification process for homeowners' policies, the examiners found the Companies' rate filings were based on community protection classes provided by the Washington Survey and Rating Bureau's (WSRB) Public Protection/BCEG Classification Manual. The Companies were not aware that WSRB had the ability to provide a specific fire protection class to an individual address.

Protection classes are a primary rating base factor for homeowner's policies. Based on the samples reviewed, when the agent or the insured could not identify the specific fire district to identify the appropriate protection class available based on the premises address, the agent selected the more favorable protection class available from the community-based protection class list. This resulted in a more favorable rate to the insured. The Companies had no process in place to verify the accuracy of the protection class selected.

Protection classes were never updated for rating purposes unless the agent advised the protection class had changed."

We request that the following paragraph be substituted for paragraphs 2 and 3 (in bold) of the above-quoted section of the Report in order to provide a complete and accurate explanation:

Protection classes are a primary rating base factor for homeowners policies. Based on the samples reviewed, the risks' fire district and corresponding protection class did not match those indicated by WSRB for each of the risks' physical locations. As a result, a number of insureds were receiving a more favorable rate (but still consistent with the applicable filings). The cause of the erroneous information is largely due to the fact that the Metropolitan had no process in place to verify the accuracy of the fire district and corresponding protection class for each risk and instead relied upon the fire district information provided by each applicant at the time of the application. When the WSRB reports changes to a protection class rating, policies are updated and re-rated accordingly.

2. The following is quoted from page 15 of the draft Report:

Rate and Form Filings Standard #2:

"The Companies identified 691 Ultra homeowner policies that were issued or renewed during the exam period without obtaining the insureds accurate date of birth. **The Companies did not require agents to provide the insured's date of birth on applications for homeowners in the Ultra package.** This is one of the required elements to correctly rate a policy for the mature homeowners discount. The policies examined used a default date of 09/09/1989 on fourteen (14) of fifteen (15) policies reviewed.

Subsequent event:

The Companies' agents currently use an internet based processing system to interface with the Companies. The agents are not able to obtain a quote or submit an application without entering the insured's date of birth. The prior system that allowed applications without all the required information was phased out by the end of the fall of 2005 and is no longer in use.

The Companies are contacting agents and policyholders to obtain accurate date of birth information on all policies **which currently display "09/09/1989"** as the named insured's date of birth. Any policies that did not receive the appropriate credit will be re-rated and refunds sent to the insureds. The Companies will report the results to the OIC by July 30, 2008."

We request that this section of the Report be modified as follows:

First, we request that the first sentence above in bold be deleted as being inaccurate. We understand that the agents in question were asked during that time frame to obtain correct dates of birth. As discussed on page 2 of this attachment, Metropolitan determined that the noted error (which was unintentional) resulted from the conversion of a group of policies from one computer system to an updated system in use at that time. The date of birth 9/9/89 was used as a default entry for the transition of those policies, where it appears at this point that the date of birth factor was unavailable in the original computer system policy records.

Second, we request the additional language in bold [i.e., "which currently display "09/09/1989"'] be added to the subsequent event section in order to clarify the scope of work in question.

Lastly, we desire to say that we did not advise that we could make all corrections by July 30, 2008 since the scope of work necessary is not susceptible to that completion date. The Company has been in the process of contacting our policy holders and agents in order to secure the dates of birth and apply rating discounts where applicable. The completion date for this project has not been confirmed at the moment; however, we anticipate completion by the end of the first quarter of 2009.