

**MARKET CONDUCT EXAMINATION**

**METROPOLITAN CASUALTY  
INSURANCE COMPANY  
AND AFFILIATES**

**700 QUAKER LANE  
WARWICK, RHODE ISLAND**

**JULY 1, 2005 THROUGH JUNE 30, 2006**



Order No. 08-0166  
Exhibit A

## TABLE OF CONTENTS

<b>Section</b>	<b>Page</b>
Salutation	3
Chief Examiner's Report Certification and Acknowledgements	4
Foreword, Scope and Sampling Standards	5
Company History and Operations	7
Operations and Management	8
General Examination Practices	8
Agent Activities	10
Complaints	10
Underwriting and Rating	11
Rate and Form Filing	14
Renewal, Cancellation and Non-Renewal	16
Claim Settlement Practices	17
Summary of Standards	19
Instructions and Recommendations	23
Appendices	24

The Honorable Mike Kreidler  
Washington State Insurance Commissioner  
PO Box 40255  
Olympia, Washington 98504

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.03.010 and procedures promulgated by the National Association of Insurance Commissioners (NAIC) and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs was performed on the following Companies:

- 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

In this report, the above entities are collectively referred to as “the Companies”. This examination is respectfully submitted.

## CHIEF EXAMINER'S REPORT CERTIFICATION and ACKNOWLEDGEMENTS

This examination was conducted in accordance with the Office of the Insurance Commissioner and National Association of Insurance Commissioners' market conduct examination procedures.

Doug Pennington, CIC, CCP, FLMI; Gary Stephenson, AIE, AIRC; Laura Smith; Shirley Merrill, and Sally Anne Eastman, AIE, AIC of the Washington State Office of the Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to thank the personnel of the Metropolitan Casualty Insurance Company and its affiliates for the courtesy and cooperation extended during the examination, especially those assigned to provide daily support to the examiners.

I certify that this document is the report of the examination. I have reviewed this report in conjunction with pertinent examination work papers. This report meets the provisions for such reports prescribed by the Office of the Insurance Commissioner, and is true and correct to the best of my knowledge and belief.



Sally Anne Eastman, AIE, AIC  
Chief Market Conduct Examiner  
Office of the Insurance Commissioner  
State of Washington

## FOREWORD

This examination was completed by applying tests to each examination standard. Each test applied during the examination is stated in this report and the results are reported. Exceptions are noted as part of the comments for the applied test. Throughout the report, where cited, RCW refers to the Revised Code of Washington and WAC refers to Washington Administrative Code.

### Prior Examination Summary

Metropolitan Property and Casualty Insurance Company and affiliates were examined in 1993. Because the prior exam occurred so far in the past, prior findings will not be included as part of this report.

## SCOPE

### Time Frame

The examination covered the Companies' personal lines operations from July 1, 2005, through June 30, 2006. The examination was performed in the Seattle office of the OIC.

### Activities Examined:

Operations and Management  
General Examination Practices  
Agent Activities  
Complaints  
Underwriting and Rating  
Rate and Form Filing  
Renewal, Cancellation and Non-Renewal  
Claim Settlement Practices

## SAMPLING STANDARDS

### Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92%	Confidence Level
+/- 5%	Mathematical Tolerance

These are the guidelines prescribed by the National Association of Insurance Commissioners in the Market Conduct Examiners Handbook and the Market Regulation Handbook.

## Regulatory Standards

Samples are tested for compliance with standards established by the OIC. The tests applied to sampled data will result in an error ratio which determines whether or not a standard is met. If the error ratio found in the sample is less than 5%, the standard will be considered as 'met'. The standards in the area of agent licensing and appointment will not be met if any violation is identified. The standards in the area of filed rates and forms will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample.

For those standards which look for the existence of written procedures or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the Companies followed established procedures.

Standards will be reported as Passed (without comment), Passed with Comment, or Failed. The definition of each category follows.

Passed	There were no adverse findings for this standard.
Passed with Comment	The records reviewed fell within the tolerance level for that standard.
Failed	The records reviewed fell outside of the tolerance level established for the standard.

## COMPANY HISTORY AND OPERATIONS

<b>Company Name</b>	<b>Domiciled State</b>	<b>Incorporation Date</b>	<b>Date Admitted to WA</b>
<b>Metropolitan Casualty Insurance Company</b>	<b>Rhode Island</b>	<b>October 7, 1981</b>	<b>12/27/1982</b>
<b>Metropolitan Property and Casualty Insurance Company</b>	<b>Rhode Island</b>	<b>August 31, 1972</b>	<b>4/16/1974</b>
<b>Metropolitan Group Property and Casualty Insurance Company</b>	<b>Rhode Island</b>	<b>December 10, 1976</b>	<b>11/17/1978</b>
<b>Metropolitan General Insurance Company</b>	<b>Rhode Island</b>	<b>June 30, 1980</b>	<b>11/08/1982</b>
<b>Economy Premier Assurance Company</b>	<b>Illinois</b>	<b>December 15, 1980</b>	<b>07/18/2000</b>

Metropolitan Casualty Insurance Company (MCIC) was incorporated October 7, 1981, under the laws of Delaware. The Company re-domesticated to Rhode Island effective February 10, 1995. Metropolitan Property and Casualty Insurance Company, a wholly owned subsidiary of MetLife, Inc. owns all outstanding stock of MCIC.

Metropolitan Property and Casualty Insurance Company was incorporated August 31, 1972, under the laws of Delaware. The Company was originally called the Metropolitan Property and Liability Insurance Company. In January 1990 the word Liability was changed to Casualty in the Company's name. The Company was re-domesticated to Rhode Island effective February 10, 1995. MetLife, Inc. currently holds all the outstanding common stock. MPC (Metropolitan Property and Casualty) redeemed 150,000 shares of the preferred stock. Met Life Credit holds 315,000 shares of the preferred stock.

Metropolitan Group Property and Casualty Insurance Company was incorporated as Metropolitan Reinsurance Company on December 10, 1976, under the laws of Delaware. The name change was approved by the State of Delaware in 1992. The Company was re-domesticated to Rhode Island effective February 10, 1995. All outstanding stock is owned by Metropolitan Property and Casualty Insurance Company which is a wholly owned subsidiary of MetLife, Inc.

Metropolitan General Insurance Company was incorporated on June 30, 1980, under the laws of Delaware. The Company was re-domesticated to Rhode Island effective February 10, 1995. All outstanding stock is owned by Metropolitan Property and Casualty Insurance Company which is a wholly owned subsidiary of MetLife, Inc.

Economy Premier Assurance Company was incorporated on December 15, 1980 as the Tetcom Reinsurance Company under the laws of Illinois. The name was changed to the current name in

August of 1985. The company is owned by Economy Fire and Casualty which is a wholly owned subsidiary of Metropolitan Property and Casualty.

The President of all five companies is William D. Moore.

The Companies wrote the following personal lines business during the examination period:

- Auto
- Residential Property
- Boat
- Personal Excess Liability

### OPERATIONS AND MANAGEMENT

#### Findings

Operations and Management Standard #2 did not apply to this examination. It applies to domestic insurers and holding companies only.

The following Operations and Management Standard Passed without Comment:

#	OPERATIONS AND MANAGEMENT STANDARD	REFERENCE
1	The Companies are required to hold a certificate of authority from the OIC prior to transacting insurance in the State of Washington.	RCW 48.05.030(1)

### GENERAL EXAMINATION PRACTICES

#### Findings

The following General Examination Practices Standards Passed without Comment:

#	GENERAL EXAMINATION PRACTICES	REFERENCE
1	The Companies made available to the examiners all requested information, and otherwise facilitated the examination in a timely manner.	RCW 48.03.030(1)
4	The Companies filed an antifraud plan with the Office of Insurance Commissioner and filed annual anti-fraud reports with the OIC.	RCW 48.30A.045 RCW 48.30(A).060

The following General Examination Practices Standard Passed with Comment:

#	GENERAL EXAMINATION PRACTICES	REFERENCE
3	The Companies maintain full and accurate records and accounts.	RCW 48.05.280

**General Examination Standard #3:**

- The Companies were unable to produce log notes or other documentation to support the decision for the cancellation or a copy of the notice of cancellation for six (6) policies.
- The Companies were unable to produce confirmation that the agents who wrote two (2) policies in 1996 were licensed in Washington as required in Agent Activity Standard #1 at the time the policies were issued. The current agents for these policies are WA licensed and appointed with the Companies.

See Appendix 1 for detail.

The following General Examination Practices Standard Failed:

#	GENERAL EXAMINATION PRACTICES	REFERENCE
2	The Companies conduct business in their own legal name.	RCW 48.05.190(1), Bulletin 78-7, Technical Assistance Advisory T 2000-06

**General Examination Standard 2:**

- All claims checks issued during the exam period show MetLife Auto & Home on the check. The tear-off portion with the explanation of the check contains the following: MetLife Auto & Home is a brand of Metropolitan Property and Casualty Insurance Company and its affiliates, Warwick, RI.

Subsequent event:

*The Companies implemented a nationwide systems correction on May 5, 2008 to add the insuring company to the checks.*

- Twelve (12) claim files contained letters with references to multiple insurance companies or to a brand name. The letters did not clearly identify the insurer.
- Twelve (12) Boat cancellation notices were written on MetLife Auto & Home letterhead. The body of the letter identified MetLife Auto & Home as the insurer in the text of the notice. MetLife Auto & Home is a trademark name. The actual insurer was not identified.
- 1,535 Antique Auto policies issued or renewed during the exam period. The declarations page identified MetLife Auto & Home, but not the actual insurer on the declarations page of the policy.

Subsequent event:

*The Companies corrected all deficiencies on the Declaration page programming effective April 13, 2007. The Companies sent a replacement declaration page and a letter of explanation to all active Antique Auto policyholders following the correction.*

See Appendix 1 for detail.

## AGENT ACTIVITIES

Agent license and appointment records for agents who wrote the policies selected for the underwriting sample were reviewed by the examiners. They also reviewed a sample of the active agent records provided by the Companies. The examiners compared the Companies' agency appointment records with the OIC records to ensure that agents soliciting business for the Companies were licensed and appointed prior to soliciting business on behalf of the Companies as required by Washington laws.

### Findings

The following Agent Activity Standards Passed without Comment:

#	AGENT ACTIVITY STANDARD	REFERENCE
1	The Companies ensure that agents are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the Companies in any way.	RCW 48.17.060(1) and (2)
2	The Companies require that agents are appointed to represent the Companies prior to allowing them to solicit business on behalf of the Companies.	RCW 48.17.160
3	The Companies must notify the OIC when an agent's appointment is revoked.	RCW 48.17.160(3)
4	The Companies must give an agency with a written agency contract at least 120 days notice of its intent to terminate the contract.	RCW 48.17.591(2)

## COMPLAINTS

The examiners selected 20 of 171 complaints filed with the OIC between January 1, 2004 and December 31, 2006. Files were reviewed to determine if the Companies followed internal complaint procedures and that the response to the OIC was timely and thorough. The files were also reviewed for adverse trends.

Approximately 75% of the complaints in the sample arose from claims. Underwriting or customer service made up the balance of the complaints. Claims complaints included issues related to PIP payments, timely investigation, and denial of liability. Underwriting complaints stemmed from premium increases and other customer service or policy processing issues.

There were no trends identified.

## Findings

The following Complaint Standard Passed without Comment:

#	COMPLAINT STANDARD	REFERENCE
1	Response to communication from the OIC must be within fifteen (15) business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication.	WAC 284-30-650, WAC 284-30-360(2), Technical Advisory T 98-4

### UNDERWRITING AND RATING

The examiners selected the following policies that were either new or renewed during the exam period:

- Home 110 of 56,298 policies
- Auto 210 of 79,531 policies
- Antique Auto 20 of 1,535 policies
- Boat 30 of 1,918 policies
- Personal Excess 45 of 4,981 policies

The files were reviewed to determine if the Companies:

- Followed the filed rating plans.
- Followed the underwriting rules.
- Were in compliance with Washington law.

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 (WSRB.) 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 homeowners policies. Based on the samples reviewed, the risk's fire district and corresponding protection class did not match the protection class indicated by WSRB for the specific physical location of the risk. This generally occurred when the applicant could not identify the specific fire district to identify the appropriate protection class available based on the premises address, therefore a protection class was selected by the agent from the community-based protection class list in the approved rate filing. This usually resulted in a more favorable rate to the insured, than a specific physical risk protection class. The Companies had no process in place to verify the accuracy of the fire district or protection class selected.

Protection classes were not updated for rating purposes unless the agent or WSRB advised the protection class had changed.

Subsequent event:

The Companies are in contact with WSRB reviewing the automated systems available. If it is determined that the use of the address specific protection class is feasible the Companies will submit changes to the rate filings and implement its use when approved by the OIC.

Underwriting and Rating Standards #5 and #6 were not applicable to this examination as they pertain to commercial insurance.

**Findings**

The following Underwriting and Rating Standards Passed without Comment:

#	UNDERWRITING AND RATING STANDARD	REFERENCE
1	Binders issued to temporarily secure coverage (during underwriting) are valid until the policy is issued or ninety (90) days, whichever is shorter and shall identify the Company providing the coverage and effective dates.	RCW 48.18.230(1), WAC 284-30-560
3	The Companies require an insured to reject Personal Injury Protection (PIP) coverage in writing.	RCW 48.22.085(2)
4	During underwriting, the Companies obtain and use only the personal driving record for personal insurance and only the commercial motor vehicle employment driving record for commercial insurance.	RCW 48.30.310, Bulletin 79-3, RCW 46.52.130 WAC 308-104-145
7	The Companies may not rely solely on the decision of another insurer's denial, cancellation, or non-renewal of insurance to support a denial or termination of coverage.	WAC 284-30-574
8	Binders must identify the insurer in which they are bound, briefly describe the coverage, state the date and time coverage is effective and acknowledge any premium received.	WAC 284-30-560(2)(a)
9	An insurer when using credit scoring to underwrite, may not use the following factors: the number of credit inquiries; collections identified with medical industry code; the purchase of a new vehicle or home (some exceptions); or use the total available line of credit to set rates or deny coverage.	WAC 284-24A-065 (1) through (6)
10	The insurer informs the consumer of the significant factors adversely affecting the credit history or insurance score and explains significant factors that lead to adverse action in clear and simple language.	WAC 284-24A-010(1) and (2), T2005-06
11	The insurer filed the credit scoring model by January 1, 2003. Related rates, risk classification plans, rating factors and rating plans were filed and approved by June 30, 2003.	WAC 284-24A-015(1)
12	No insurer may alter an application for insurance without the insured's written permission.	RCW 48.18.070

The following Underwriting and Rating Standard Passed with Comment:

#	UNDERWRITING AND RATING STANDARD	REFERENCE
2	The Companies require an insured to reject or request lower limits for underinsured motorist (UIM) coverage in writing.	RCW 48.22.030(3) and (4)

**Underwriting and Rating Standard #2:**

- The Company was unable to provide the signed UIM rejection form for one (1) file.

See Appendix 2 for detail.

The following Underwriting and Rating Standards Failed:

#	UNDERWRITING AND RATING STANDARD	REFERENCE
13	The Companies are required to offer minimum personal protection coverage for each insured with benefits described in RCW 48.22.095, which includes \$10,000 for medical and hospital benefits. Rejection of this coverage must be obtained in writing as required in RCW 48.22.085(1) and (2)	RCW 48.22.085(1) and (2) RCW 48.22.095
14	The Companies are required to offer PIP limits which include \$35,000 for medical and hospital benefits if requested by the named insured.	RCW 48.22.100

**Underwriting and Rating Standard #13:**

- 600 new and renewed Antique Auto policies were issued with optional PIP coverage described in RCW 48.22.100. The Companies could not provide any documentation to prove that the Companies had ever offered the basic PIP option required in RCW 48.22.085.

**Underwriting and Rating Standard #14:**

- The Companies could not provide any proof that the insured had requested the higher PIP limits described in RCW 48.22.100 as required for 600 new and renewed Antique Auto policies. The Companies acknowledge that the Managing General Agent (MGA) handling this program on the Companies' behalf failed to obtain either a signed election for the optional PIP coverage, or a signed rejection for the basic PIP in favor of the optional coverage. The Companies provided correspondence from 2003 between the Companies and the MGA advising the MGA that the Office of the Insurance Commissioner had issued bulletin #94-2 about the inappropriate practice of "rolling on" maximum rather than minimum PIP coverage. The Companies did not have a process in place to verify compliance following the 2003 correspondence.

**Subsequent event:**

*The MGA implemented a plan to contact each insured with an active Antique Auto policy and obtain a signed election/rejection form. This form will document the insured's request for the*

amount of PIP coverage or the rejection of PIP coverage. The process was completed May 15, 2008. The results are contained in the examination work papers.

### RATE AND FORM FILING

The examiners selected forms attached to the new and renewal policies used in the underwriting sample for the form filing review. The purpose was to determine if the Companies were complying with laws regarding form filing.

The examiners also manually rated policies in the underwriting sample to ensure that the Companies' automated rating programs processed policies according to the filed rates and to verify that the Companies' underwriting rules were followed.

Rate and Form Filing Standard #5 and #7 were not applicable to this examination as they pertain to commercial insurance.

### Findings

The following Rate and Form Filing Standards Passed without Comment:

#	RATE AND FORM FILING STANDARD	REFERENCE
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use.	RCW 48.18.100
6	Personal Injury Protections forms issued by the Companies contain coverage definitions and limits that conform to Washington law.	RCW 48.22.095 RCW 48.22.005

The following Rate and Form Filing Standard Passed with Comment:

#	RATE AND FORM FILING STANDARD	REFERENCE
4	The policy must contain all endorsements and forms.	RCW 48.18.190

#### Rate and Form Filing Standard #4:

- Uninsured Motorist coverage was rejected on two (2) policies. The policies were issued without endorsement "V402" Rejection of Underinsured Motorist Coverage being identified on the list of policy forms as required.

See Appendix 3 for detail.

The following Rate and Form Filing Standards Failed

#	RATE AND FORM FILING STANDARD	REFERENCE
2	Where required, the Companies have filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and	RCW 48.19.040(1) and (6)

#	RATE AND FORM FILING STANDARD	REFERENCE
	rating rules prior to use, and does not issue any policies that are not in accord with the filing in effect.	
3	The policy must identify all forms that make up the policy. The policy will identify all coverage limits.	RCW 48.18.140(2)(a)-(f)

**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 insured's date of birth. The insured's date of birth is one of the required elements to correctly rate a homeowners policy in the Ultra package to determine eligibility for the mature homeowners discount. The policies examined used a default date of 09/09/1989 on fourteen (14) of fifteen (15) policies reviewed. This default date was used when a group of policies acquired from another insurer were migrated into a Metropolitan computer system from another computer system. The original applications were not available. The Companies did not validate or seek to acquire this information at migration from the insureds.

Subsequent event:

*The mature homeowner's discount was implemented in Washington in June 2003. Eligibility for this discount was not captured for all policies migrated from an older system. 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 manually re-rated and refunds sent to the insureds. The Companies will report the results to the OIC by March 31, 2009.*

*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 Companies issued two (2) policies that were not in accordance with the filing because the endorsements for Rejection of Underinsured Motorist Coverage were not listed as an endorsement on the policies.

**Rate and Form Filing Standard #3:**

- 1,535 Antique Auto policies were issued with a declarations page that did not identify the name of the insurer, the basic policy form number, and did not identify the amount of PIP coverage on the policy.

Subsequent event: *The Companies provided confirmation that the declaration pages for all active policies were reprinted, and the programming was corrected to reflect the name of the insuring company. A letter of explanation and replacement declarations page was sent to the policy holders on April 3, 2007.*

See Appendix 3 for detail.

## RENEWAL, CANCELLATION AND NON-RENEWAL

The examiners selected 269 of the 22,739 policies that were either cancelled or non-renewed during the exam period to determine if the Companies complied with the state laws governing non-renewal or cancellation of the policies. Renewal policies selected in the Underwriting sample of the examination were also considered in this section of the exam.

### Findings

The following Renewal, Cancellation and Non-renewal Standards Passed without Comment:

#	RENEWAL, CANCELLATION AND NON-RENEWAL STANDARDS	REFERENCE
1	The Companies do not cancel or refuse to renew policies because the agent is no longer affiliated with the Companies.	RCW 48.17.591
3	The Companies include the actual reason for canceling, denying or refusing to renew an insurance policy when notifying the insured.	WAC 284-30-570 Bulletin 96-2

The following Renewal, Cancellation and Non-renewal Standard Failed:

#	RENEWAL, CANCELLATION AND NON-RENEWAL STANDARDS	REFERENCE
2	The Companies send offers to renew a policy or sends notice to cancel or non-renew a policy prior to policy termination according to the time frames required by statute.	RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292

#### Renewal, Cancellation and Non-renewal Standard #2:

- The Companies issued lien holder notices that were not “like notice” to the policy holder notice as described in RCW 48.18.290(e). Three (3) lien holder notices in the sample did not reflect accurate dates based on the policy language. The language in the policy had a more liberal cancellation clause than required by statute. Without accurate dates on the notice, the lien holder would not be aware of their rights to the additional times allowed in the contract. The Companies issued 13,389 notices during the exam period that did not meet the statutory requirements of RCW 48.18.290(e).

#### Subsequent event:

*The Companies filed and received approval for using a new lien holder notice form with the WA OIC effective 6/30/2007 for new business and 7/31/2007 for renewal business.*

See Appendix 4 for detail.

## CLAIM SETTLEMENT PRACTICES

The examiners reviewed 160 of 7,776 claims that were closed during the exam period. The examiners reviewed an additional 25 of 638 claims that involved first party total loss settlements that were closed during the exam period.

### Findings

The following Claim Settlement Practices Standards Passed without Comment:

#	CLAIM SETTLEMENT PRACTICES STANDARD	REFERENCE
3	The Companies provided an explanation of all pertinent coverage to first party claimants.	WAC 284-30-350
4	The Companies acknowledged receipt of a claim within ten (10) days, and responded to all communications on a claim file within the time frames prescribed.	WAC 284-30-360(1) (3) and (4)
6	The Companies must accept or deny coverage within fifteen (15) days after receiving proof of claim.	WAC 284-30-380
8	The Companies comply with the regulation regarding notification of PIP benefits, limitations, termination, or denial of benefits.	WAC 284-30-395 (1)
9	The Companies surrender titles for total loss vehicles to the Department of Licensing or provide other authorized documentation as required.	RCW 46.12.070, WAC 308-56A-460

The following Claims Settlement Standards passed With Comment:

#	CLAIM SETTLEMENT PRACTICES STANDARD	REFERENCE
1	The Companies settle claims in a manner that is not in conflict with any section of the Unfair Claims Settlement Act.	WAC 284-30-330
2	The Companies' claim files contain detailed log notes and work papers to allow reconstruction of the claim file.	WAC 284-30-340
5	The Companies comply with requirement for prompt investigation of claims.	WAC 284-30-370
7	The Companies settle automobile claims in accordance with standards established for prompt, fair and equitable claim settlements.	WAC 284-30-390, WAC 284-30-3901-3916

#### Claim Settlement Standard #1:

- The Companies did not complete the investigation of one (1) claim or acknowledge the PIP coverage availability for approximately four (4) months. There was no explanation for the delay in the file.

#### Claim Settlement Standard #2:

- One (1) claim file did not contain the total loss work papers as required.

**Claim Settlement Standard #5:**

- The Companies failed to investigate coverage for approximately four (4) months following the inquiry about the availability of PIP coverage.
- The Companies failed to complete the investigation and determine the value of the claimant's vehicle or determine the salvage value within thirty (30) days. There was no explanation in the file to support or explain the delay.

**Claim Settlement Standard #7:**

- The Companies were unable to provide documentation or an explanation for the basis of the salvage value deducted from the settlement. The Companies sent an additional payment of \$85 to the claimant.
- Documents from the vendor used to establish the total loss evaluation and value for settlement purposes were not in the claim file.

See Appendix 4 for detail.

## SUMMARY OF STANDARDS

### Company Operations and Management:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies are required to hold a certificate of authority from the OIC prior to transacting insurance in the State of Washington. (RCW 48.05.030(1))	8	X	
2	The Companies are required to file with the OIC any amendments to the Articles of Incorporation for domestic insurers or insurance holding Companies. (RCW 48.07.070)	N/A		

### General Examination Practices:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies made available to the examiners all requested information, and otherwise facilitated the examination in a timely manner. (RCW 48.03.030(1))	8	X	
2	The Companies conduct business in their own legal name. (RCW 48.05.190(1), Bulletin 78-7, Technical Assistance Advisory T 2000-06)	9		X
3	The Companies maintain full and accurate records and accounts. (RCW 48.05.280)	8	X	
4	The Companies filed an antifraud plan with the Office of Insurance Commissioner (RCW 48.30A.045) and filed annual anti-fraud reports with the OIC. (RCW 48.30A.060)	8	X	

### Agent Activity:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies ensure that agents are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the Companies in any way. (RCW 48.17.060(1) and (2))	10	X	
2	The Companies require that agents are appointed to represent the Companies prior to allowing them to solicit business on behalf of the Companies. (RCW 48.17.160)	10	X	
3	The Companies must notify the OIC when an agent's appointment is revoked. (RCW 48.17.160(3))	10	X	
4	The Companies must give an agency with a written agency contract at least 120 days notice of its intent to terminate the contract. (RCW 48.17.591(2))	10	X	

### Complaints:

#	STANDARD	PAGE	PASS	FAIL
1	Response to communication from the OIC must be within	11	X	

#	STANDARD	PAGE	PASS	FAIL
	fifteen (15) business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication. (WAC 284-30-650, WAC 284-30-360(2), Technical Advisory T 98-4)			

**Underwriting and Rating:**

#	STANDARD	PAGE	PASS	FAIL
1	Binders issued to temporarily secure coverage (during underwriting) are valid until the policy is issued or ninety (90) days, whichever is shorter and shall identify the Company providing the coverage and effective dates. (RCW 48.18.230(1), WAC 284-30-560)	12	X	
2	The Companies require an insured to reject or request lower limits for underinsured motorist (UIM) coverage in writing. (RCW 48.22.030(3) and (4))	13	X	
3	The Companies require an insured to reject Personal Injury Protection (PIP) coverage in writing. (RCW 48.22.085(2))	12	X	
4	During underwriting, the Companies obtain and use only the personal driving record for personal insurance and only the commercial motor vehicle employment driving record for commercial insurance. (RCW 48.30.310, RCW 46.52.130, Bulletin 79-3, WAC 308-104-145)	12	X	
5	The Companies apply schedule rating plans to all policies as applicable in its filing. (WAC 284-24-100)	N/A		
6	The Companies retain all documentation related to the development and use of (a) rates. (WAC 284-24-070)	N/A		
7	The Companies may not rely solely on the decision of another insurer's denial, cancellation, or non-renewal of insurance to support a denial or termination of coverage. (WAC 284-30-574)	12	X	
8	Binders must identify the insurer in which they are bound, briefly describe the coverage, state the date & time coverage is effective and acknowledge any premium received. (WAC 284-30-560(2)(a))	12	X	
9	An insurer, when using credit scoring to underwrite, may not use the following factors: the number of credit inquiries; collections identified with medical industry code; the purchase of a new vehicle or home (some exceptions); or use total available line of credit to set rates or deny coverage. (WAC 284-24A-065)(1) through (6))	12	X	

#	STANDARD	PAGE	PASS	FAIL
10	The insurer informs the consumer of the significant factors adversely affecting the credit history or insurance score and explains significant factors that lead to adverse action in clear and simple language. (WAC 284-24A-010(1) and (2), T2005-06)	12	X	
11	The insurer filed the credit scoring model by January 1, 2003. Related rates, risk classification plans, rating factors and rating plans were filed and approved by June 30, 2003. (WAC 284-24A-015(1))	12	X	
12	No insurer may alter an application for insurance without the insured's written permission. (RCW 48.18.070)	12	X	
13	The Companies are required to offer minimum personal protection coverage for each insured with benefits described in RCW 48.22.095, which includes \$10,000 for medical and hospital benefits. Rejection of this coverage must be obtained in writing as required in RCW 48.22.085(1) and (2). (RCW 48.22.085(1) and (2), RCW 48.22.095)	13		X
14	The Companies are required to offer PIP limits which include \$35,000 for medical and hospital benefits if requested by the named insured. (RCW 48.22.100)	13		X

**Rate and Form Filings:**

#	STANDARD	PAGE	PASS	FAIL
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use. (RCW 48.18.100)	14	X	
2	Where required, the Companies have filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and rating rules prior to use, and does not issue any policies that are not in accord with the filing in effect. (RCW 48.19.040(1) and (6))	14		X
3	The policy must identify all forms that make up the policy. The policy will identify all coverage limits. (RCW 48.18.140(2)(a)-(f))	15		X
4	The policy must contain all endorsements and forms. (RCW 48.18.190)	14	X	
5	Policy forms for commercial policies are filed within thirty (30) days of use. (RCW 48.18.103(2))	N/A		
6	Personal Injury Protections forms issued by the Companies contain coverage definitions and limits that conform to Washington law. (RCW 48.22.095, RCW 48.22.005)	14	X	
7	Rates for commercial policies must be filed within thirty (30) days of use. (RCW 48.19.043(2))	N/A		

**Renewal, Cancellation and Non-Renewal:**

#	STANDARD	PAGE	PASS	FAIL
1	The Companies do not cancel or refuse to renew policies because the agent is no longer affiliated with the Companies. (RCW 48.17.591)	16	X	
2	The Companies send offers to renew a policy or sends notice to cancel or non-renew a policy prior to policy termination according to the time frames required by statute. (RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292)	16		X
3	The Companies include the actual reason for canceling, denying or refusing to renew an insurance policy when notifying the insured. (WAC 284-30-570, Bulletin 96-2)	16	X	

**Claims:**

#	STANDARD	PAGE	PASS	FAIL
1	The Companies settle claims in a manner that is not in conflict with any section of the Unfair Claims Settlement Act. (WAC 284-30-330)	17	X	
2	The Companies' claim files contain detailed log notes and work papers so as to allow reconstruction of the claim file. (WAC 284-30-340)	17	X	
3	The Companies provided an explanation of all pertinent coverage to first party claimants. (WAC 284-30-350)	17	X	
4	The Companies acknowledged receipt of a claim within ten (10) days, and responded to all communications on a claim file within the time frames prescribed. (WAC 284-30-360(1),(3) and (4))	17	X	
5	The Companies comply with requirement for prompt investigation of claims. (WAC 284-30-370)	17	X	
6	The Companies must accept or deny coverage within (fifteen) 15 days after receiving proof of claim. (WAC 284-30-380)	17	X	
7	The Companies settle automobile claims in accordance with standards established for prompt, fair and equitable claim settlements. (WAC 284-30-390, WAC 284-30-3901-3916)	17	X	
8	The Companies comply with the regulation regarding notification of PIP benefits, limitations, termination, or denial of benefits. (WAC 284-30-395(1))	17	X	
9	The Companies surrender titles for total loss vehicles to the Department of Licensing or provide other authorized documentation as required. (RCW 46.12.070, WAC 308-56A-460)	17	X	

## INSTRUCTIONS AND RECOMMENDATIONS

	<b>INSTRUCTION</b>	<b>PAGE NUMBER</b>
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.	9
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.	13
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.	14
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.	15
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.	16

	<b>RECOMMENDATIONS</b>	<b>PAGE</b>
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.	11
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.	11
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.	9, 14, 15

## APPENDIX 1

<b>General Examination Standard #2</b>	<b>The Companies conduct business in their own legal name. RCW 48.05.190(1), Bulletin 78-7, Technical Assistance Advisory T2000, 06</b>
<b>Policy or Claim Number</b>	<b>Comments</b>
All claim checks	All claim checks issued displayed the brand name, MetLife Auto & Home as a brand of Metropolitan Property and Casualty and its affiliates. The specific insurer was not identified.
FRB20996, FRB31770, FRB21068, FRB20886, FRB31770, FRB21068, FRB30313, FRB38122, FRB33677, FRB20820, FRB34232, FRB20612	Letters in claim files contained the names of multiple companies, the trademark name, or did not clearly identify the insuring company.
Policy information is contained in the examination work papers	Twelve (12) Boat Cancellation notices in the sample were written on MetLife Auto & Home letterhead. The letter identified the brand name MetLife Auto & Home as the insurer in the text of the notice. The notices also stated "your MetLife Auto & Home boatowners insurance policy is cancelled." MetLife Auto & Home is a brand name. It is not the insuring Company.
Policy information is contained in the examination work papers	Antique Auto Policies: The Companies issued 1535 policies during the exam period. The declarations page of the policy identified the group name but did not identify the actual insurer.
<b>General Examination Standard #3</b>	<b>The Companies maintain full and accurate records and accounts. RCW 48.05.280</b>
<b>Policy or Claim Number</b>	<b>Comments</b>
112588300 and 1685584570	Two (2) cancelled auto policies did not have any supporting documentation to show that the insured had requested the cancellation. The Companies were unable to produce documentation or log notes to support their action.
4270656570	The Companies were unable to produce a copy of the letter of cancellation on one boat policy.
3928859750, 6113407500 and 3225552850	The Companies were not able to produce documentation that the insured had requested the cancellation on three (3) homeowner policies.
2395268550 and 8991977000	The Companies were unable to produce documentation that agents who wrote two policies were licensed in WA at the time the policies were issued in 1996. The current agents are appropriately licensed and appointed.

**APPENDIX 2**

<b>Underwriting and Rating Standard #2</b>	<b>The Companies require an insured to reject or request lower limits for underinsured motorist (UIM) coverage in writing. RCW 48.22.030(3) and (4)</b>
<b>Policy Number</b>	<b>Comments</b>
7299088971	The Companies were unable to provide a copy of the signed UIM rejection form.
<b>Underwriting and Rating Standard #13</b>	<b>The Companies are required to offer minimum personal injury protection coverage as described in RCW 48.22.095. Rejection of this coverage must be obtained in writing. RCW 48.22.085(1)(2)</b>
<b>Policy Number</b>	<b>Comments</b>
Antique Auto policies	Six hundred (600) new and renewed policies were issued with optional PIP coverage with \$35,000 medical limits. The minimum PIP coverage limit was \$10,000 medical limits. There was no evidence that the minimum PIP coverage had been offered and rejected.
<b>Underwriting and Rating Standard #14</b>	<b>The Companies are required to offer optional PIP coverage with \$35,000 medical limits if requested by the insured. RCW 48.22.100</b>
<b>Policy Number</b>	<b>Comments</b>
Antique Auto policies	Six hundred (600) new and renewed policies did not have any documentation to document that the insured requested the PIP limits of \$35,000.

**APPENDIX 3**

<b>Rate and Form Filing Standard #2</b>	<b>Where required the Companies filed classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates and rating rules with the OIC prior to use and does not issue policies that are not in accord with the filings. RCW 48.19.040 (1) and (6)</b>
<b>Policy Number</b>	<b>Comments</b>
691 Ultra Homeowners policies	Applications were accepted and processed without obtaining the insured's date of birth. This information was necessary to determine eligibility for mature homeowners discounts.
0932425330MG and 7299088971	Form #: MPL 6065-000 (Endorsement V402) "Rejection of Underinsured Motorists Coverage" was not listed on the policy declarations page for these policies.
<b>Rate and Form Filing Standard #3</b>	<b>The policy identifies all forms that make up the policy. The policy identifies all coverage limits. RCW 48.19.140 (2)(a-f)</b>
<b>Policy Number</b>	<b>Comments</b>
1535 antique auto policies issued or renewed during the exam period	Declarations page of the policy does not identify the insurer. It also does not identify the basic policy form number. Additionally, those policies with PIP do not identify the amount of PIP coverage as described in the antique auto form.
<b>Rate and Form Filing Standard #4</b>	<b>The policy must contain all endorsements and forms. RCW 48.18.190</b>
<b>Policy Number</b>	<b>Comments</b>
0932425330MG and 7299088971	Form # MPL 6065-000 (Endorsement V402) "Rejection of Underinsured Motorists Coverage" was not listed on the policy declarations page of the policies.

**APPENDIX 4**

<b>Renewal, Cancellation and Non-renewal Standard #2</b>	<b>The Companies send offers to renew or cancellation or non-renewal notices according to the requirements prior to policy termination. RCW 48.18.290,RCW 48.18.2901, RCW 48.18.291,RCW 48.18.292</b>
13,389 notices	The Companies issued 13,389 lien holder notices with language that were not "like notice" as the notice to the insured as required. Additionally, the notice did not accurately reflect dates based on contact language.

**APPENDIX 5**

<b>Claim Settlement Standard #1</b>	<b>The Companies settle claims in a manner that is not in conflict with any section of the Unfair Claims Settlement Act Ref: WAC 284-30-330</b>
<b>Claim number</b>	<b>Comments</b>
FRB13720	The Companies received the report of the claim on January 7, 2005. The Companies did not complete the investigation or acknowledge an inquiry about PIP coverage availability until May 16, 2005. WAC 284-30-330(2)(3)
<b>Claim Settlement Standard #2</b>	<b>Companies' claim files detailed log notes and work papers that allow reconstruction of the claim file. Ref: WAC 284-30-340</b>
<b>Claim number</b>	<b>Comments</b>
FRB 19810	Documentation of total loss work-papers was not in the claim file.
<b>Claim Settlement Standard #5</b>	<b>The Companies comply with requirements for prompt investigation of claims. Ref: WAC 284-30-370</b>
<b>Claim number</b>	<b>Comments</b>
FRB13720	The Companies failed to investigate coverage for approximately four (4) months after the inquiry about the availability of PIP coverage
143670868	The Companies failed to complete the investigation of the value of the claimant's vehicle or salvage value within thirty (30) days. There was no explanation in the file to explain the delay.
<b>Claim Settlement Standard #7</b>	<b>The Companies settle automobile claims in accordance with standards established for prompt, fair and equitable claim settlements. Ref: WAC 284-30-390, WAC 284-30-3901-3916</b>
<b>Claim number</b>	<b>Comments</b>
143670868	The Companies were unable to provide documentation or explanation for the basis of the salvage value deducted from the claim payment. The Companies sent an additional payment of \$85 to the claimant.
FRB 19810	Documents from the vendor showing the information supporting the total loss evaluation were not in the claim file.