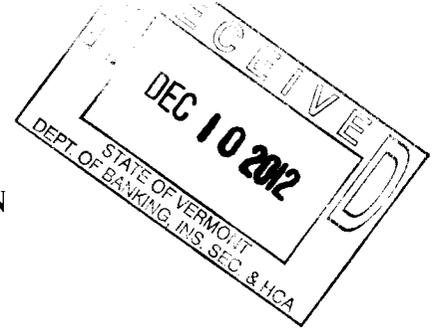


STATE OF VERMONT  
DEPARTMENT OF FINANCIAL REGULATION



IN THE MATTER OF: )

The Hartford Financial Services )  
Group, Inc. )

) Docket No. 11-023-I  
)  
)  
)

**STIPULATION AND CONSENT ORDER**

The Insurance Division of the Vermont Department of Financial Regulation (“Department”) and The Hartford Financial Services Group, Inc. (“Respondent”) stipulate and agree:

1. Pursuant to the authority contained in 8 V.S.A. §§ 11, 12, 13, 15, 4723 and 4726 the Commissioner of the Department (“Commissioner”) is charged with enforcing the insurance laws of the State of Vermont.

2. Pursuant to the authority contained in 8 V.S.A. § 4726, the Commissioner may investigate any person engaged in the business of insurance in Vermont in order to determine whether that person has engaged in any unfair method of competition or in any unfair or deceptive act or practice and may suspend or revoke the license of any insurer and/or may impose an administrative penalty for any violation of Title 8, Chapter 129. Respondent acknowledges and admits the jurisdiction of the Commissioner over the subject matter of the Consent Order set forth herein.

3. Pursuant to Department Regulation 79-2 entitled REGULATION 79-2 *Fair Claims Practices*, (“Regulation 79-2”), Section 3, a violation of any of the standards set forth in Regulation 79-2 shall be deemed to constitute an unfair claim settlement practice which pursuant to 8 V.S.A. § 4724 is a violation of the Vermont Insurance Trade Practices Act.

4. Respondent is the parent company of several companies that sell insurance and are licensed to do so in Vermont. For the purposes of this Stipulation and Consent Order, Respondent includes and binds its wholly-owned subsidiaries including, but not limited to, Hartford Accident & Indemnity Company, Hartford Casualty Insurance Company, Hartford Fire Insurance Company, Hartford Insurance Company of the Midwest, Property and Casualty Insurance Company of Hartford, Sentinel Insurance Company, Twin City Fire Insurance Company, Trumbull Insurance Company, and Hartford Underwriters Insurance Company, (the “Companies”). All of the Companies are located at One Hartford Plaza in Hartford CT, 06155.

5. On or about August 23, 2011 the Department undertook an investigation of Respondent’s practices in order to determine Respondent’s level of compliance with Regulation 79-2, Section 8(B) which investigation generally covered the time period from January 1, 2009 through September 15, 2011.

6. As a result of its investigation the Department concludes that Respondent violated the provisions set forth in Regulation 79-2, Section 8 and that these violations constitute unfair or deceptive acts or practices in the business of insurance in violation of 8 V.S.A. § 4724(9)(F) in that Respondent was not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.

7. As a result of its investigation the Department concludes Respondent’s failure to instruct or supervise its representatives with respect to the handling of total loss valuations in the state of Vermont constitutes an unfair or deceptive act or practice in the business of insurance in violation of 8 V.S.A. § 4724(17).

8. Respondent has been made aware that the Department may proceed with an administrative action against it for violations of Regulation 79-2, Section 8 and the Vermont

Insurance Trade Practices Act seeking appropriate relief pursuant to the Department's statutory authority.

9. Respondent wishes to resolve this matter in lieu of proceeding to a hearing by entering into this Stipulation and Consent Order with the Department on the terms and conditions set forth here.

10. Respondent waives its right to a hearing before the Commissioner or the Commissioner's designee, and all other procedures otherwise available under Vermont law, the rules of the Department, the provisions of Chapter 25 of Title 3 regarding contested cases, or any right it may have to judicial review by any court by way of suit, appeal, or extraordinary remedy with respect to the terms of the Consent Order set forth here.

11. Respondent acknowledges its understanding of all terms, conditions, undertakings and obligations contained in this Stipulation and Consent Order.

12. Respondent acknowledges that the Consent Order constitutes a valid order duly rendered by the Commissioner and agrees to be fully bound by it. Respondent acknowledges that noncompliance with any of the terms of this Order shall constitute a violation of a lawful order of the Commissioner and shall be a separate violation of the laws of the State of Vermont and shall subject respondent to administrative action or sanctions as the Commissioner deems appropriate. Respondent further acknowledges that the Commissioner retains jurisdiction over this matter for the purpose of enforcing this Order.

13. Respondent will issue refunds to seventy-seven (77) consumers in the aggregate amount of Eighty-One Thousand, Seven Hundred and Thirty-Four Dollars and Sixty-Four cents, (\$81,734.64), which includes 12% simple interest, within 14 days of the final execution of this

Stipulation and Consent Order, which checks shall be accompanied by a cover letter sent by Respondent, as follows:

The State of Vermont Department of Financial Regulation recently concluded an investigation of certain Automobile Total Loss claims adjusted and paid by The Hartford. As a result of this investigation The Hartford has agreed to pay additional monies, plus interest. Accordingly, please find enclosed two checks, the first for [insert amount] which represents the additional payment in connection with your Total Loss claim, and the second in the amount of [insert amount] which represents interest on that amount. Please contact us if you have any questions or concerns regarding this matter.

14. Respondent shall provide to the Department copies of the letters and checks sent to consumers as referenced in ¶ 13 above within five (5) days of their mailing.

15. The Department retains any rights it has to respond to and address any consumer complaints that may be made with regard to Respondent and a transaction in insurance, as defined in 8 V.S.A. § 3301. This includes the right to pursue any remedy authorized by law in response to such consumer complaint.

16. Nothing herein shall be construed as a waiver of any private right of action any person may have.

17. Respondent certifies that the following corrective actions have been implemented by the Companies at Respondent's expense to improve compliance with Vermont Regulation 79-2 in response to the Vermont examiner's market conduct examination findings:

#### **STAFFING**

Vermont total loss claims are currently handled by two units: the Northeast Automobile Claim Service Center and the Fire and Theft Claim Unit. Each of these two units will limit the number of claim handlers assigned to adjust Vermont total loss claims to between six and nine. The Team Leaders assigned to supervise these claim handlers will review and approve each claim settlement to ensure that the claim handler has complied with the requirements of Vermont Regulation 79-2. This supervisory review will continue until such time as each of the claim handlers has reached 95% compliance.

## **TRAINING**

The Compliance Consultant for the Northeast Automobile Claim Service Center and the Director of Practices - Automobile Physical Damage will conduct mandatory training for all claim handlers and Team Leaders assigned to work on Vermont total loss claims. This training will be completed no later than July 15, 2013. At the end of the training, participants will be given a test. If a participant does not score 90% or better, the participant will be required to take additional training.

## **COMPLIANCE AUDITS**

On a monthly basis, the Compliance Consultant will review a sample of Vermont total loss claims handled by each of the designated claim handlers. These monthly audits will continue until such time as the claim handling teams have reached 95% compliance for a period of six (6) consecutive months. After such time, the compliance audits will be completed every six (6) months.

18. The Department and Respondent further stipulate and agree:

A. Respondent shall pay an administrative penalty in the amount of Seventy-seven Thousand (\$77,000.00) Dollars within ten (10) days of the execution of this Stipulation and Consent Order.

B. In the event restitution is unable to be made to any of the consumers referenced in 14 above because their addresses or whereabouts are unknown, Respondent shall comply with the requirements of Title 27, Chapter 14 of the Vermont Statutes Annotated and shall provide proof of such compliance to the Department.

C. The Department will conduct a follow-up examination approximately twelve months after the date of the signing of this agreement, which examination shall cover the period from September 15, 2011 through the date of the follow up examination. The examination will focus on Respondent's level of compliance with Regulation 79-2, and the Department will apply the interpretation of Regulation 79-2 in effect at the time the follow-up examination commences to the period of time being examined. Respondent shall reimburse the Department for all costs

and expenses associated with the follow-up examination pursuant to 8 V.S.A. § 3564. Nothing in this paragraph or Order shall be construed to limit the Department's ability to examine Respondent prior to twelve months from the date of this Stipulation and Consent Order for any reason unrelated to Respondent's level of compliance with Regulation 79-2, or for any reason subsequent to the completion of the follow-up examination to be conducted approximately twelve months after the date of the signing of this agreement.

D. Respondent shall comply with all applicable Vermont Laws, Regulations, and Bulletins including but not limited to, those pertaining to methods of adjusting motor vehicle total loss damage claims.

E. Respondent will submit to the Department a revised draft of its "Total Loss Claim" letter for the Department's review and approval before disseminating future correspondence on total loss claims.

F. Respondent hereby waives its statutory right to notice and a hearing before the Commissioner of the Department, or his designated appointee.

G. Respondent acknowledges and agrees that this Stipulation is entered into freely and voluntarily and that except as set forth herein, no promise was made to induce the Respondent to enter into it. Respondent acknowledges that it understands all terms and obligations contained herein. Respondent acknowledges that it has consulted with its attorney in this matter and that it has reviewed this Stipulation and Consent Order and it understands all terms and obligations contained herein.

H. Respondent consents to the entry of this Order and agrees to be fully bound by its terms and conditions. Respondent acknowledges that noncompliance with any of the terms of

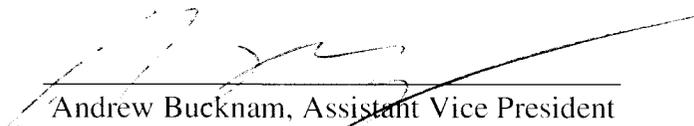
this Order may constitute a separate violation of the insurance laws of the State of Vermont and may subject it to sanctions.

I. The terms set forth in this Stipulation and Consent Order represents the complete agreement between the parties as to its subject matter.

J. The undersigned representative of Respondent affirms that he or she has taken all necessary steps to obtain the authority to bind Respondent to the obligations stated herein and has the authority to bind Respondent to the obligations stated herein.

**THE HARTFORD FINANCIAL SERVICES GROUP, INC.**

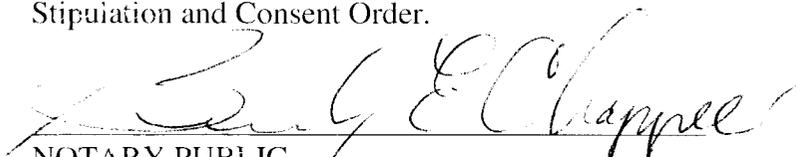
By Its Duly Authorized Agent:

  
\_\_\_\_\_  
Andrew Bucknam, Assistant Vice President  
& Assistant General Counsel

  
\_\_\_\_\_  
Date

STATE OF Connecticut  
COUNTY OF HARTFORD

On this 6<sup>th</sup> day of December, 2012 Andrew Bucknam personally appeared before me and pursuant to a sworn oath subscribed to this Stipulation and Consent Order and represented that Andrew Bucknam has full authority to execute, deliver and legally bind Respondent to this Stipulation and Consent Order.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: **Beverly E. Chappell**  
**Notary Public, Connecticut**  
**My Commission Expires Aug. 31, 2013**

**ACCEPTED BY:**

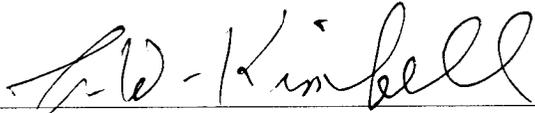
  
\_\_\_\_\_  
Susan Donegan, Deputy Commissioner,  
Insurance Division, Vermont Department  
of Financial Regulation

Date: 12/10, 2012

**CONSENT ORDER**

1. The stipulated facts, terms and provisions of the Stipulation are incorporated by reference herein.
2. Jurisdiction in this matter is established pursuant to Chapters 101 and 113 of Title 8 of Vermont law and Regulation 79-2.
3. Pursuant to the Stipulation, Respondent consents to the entry of this Consent Order.
4. Respondent shall comply with all agreements, stipulations, and undertakings as recited above.
5. Nothing contained in this Order shall restrain or limit the Department in responding and addressing any consumer complaint about Respondent filed with the Department or shall preclude the Department from pursuing any other violation of law.

Entered at Montpelier, Vermont, this 10th day of December, 2012.



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STEPHEN W. KIMBELL, Commissioner  
Vermont Department of Financial Regulation