

REPORT OF MARKET CONDUCT EXAMINATION

METROPOLITAN PROPERTY & CASUALTY INSURANCE CO.

700 QUAKER LN

WARWICK, RI 02887

AS OF

June 30, 2005

BY

KANSAS INSURANCE DEPARTMENT

TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE NO.</u>
SALUTATION	3
EXECUTIVE SUMMARY	4
SCOPE OF REVIEW	5
SUMMARY OF REVIEW	5
DESK EXAMINATION/ON SITE EXAMINATION	6
COMPANY OVERVIEW	6
COMPLAINT HANDLING	7
UNDERWRITING AND RATING	9
CLAIM HANDLING	15
GENERAL COMMENTS	19
CONCLUSION	20
APPENDIX I	

Honorable Sandy Praeger
Insurance Commissioner
Kansas Insurance Department
420 SW Ninth Street
Topeka, KS 66612

Dear Commissioner Praeger:

In accordance with your respective authorization, and pursuant to K.S.A. 40-222, a market conduct examination has been conducted on the business affairs of:

Metropolitan Property & Casualty Insurance Co.
700 Quaker LN
Warwick, RI 02887

hereafter referred to as “the M P&C” or “the Company”, and the following report as such examination is respectfully submitted,

Lyle Behrens, CPCU, CIE, ARM, ARe
Market Conduct Supervisor
Examiner in Charge

EXECUTIVE SUMMARY

The Kansas Insurance Department performed a market conduct examination of the M P&C. The period of examination was January 1, 2003 through June 30, 2005.

The examiners reviewed the company underwriting, claims, and rating manuals. The exam team reviewed underwriting, claim, and complaint files in Company's administrative office in Warwick, RI. and claim office in St Louis, Mo. A series of meetings were held with M P&C staff that focused on their current operations. To supplement and verify the understanding of how the company does business, a series of samples were selected for review to verify their procedures and practices in claims, underwriting and rating.

The company passed all tests; and in terms of delivering good service to its insureds, the examiners were impressed with the overall positive and very professional performance by the M P&C staff and management to their policyholders. The exam team has made recommendations on several issues.

LIST OF RECOMMENDATIONS

Underwriting

1. M P&C should review their property termination procedures to insure that the proper termination forms are being sent to Kansas policyholders per K.S.A. 40-955. M P&C has to submit a plan to KID within 30 days to show how they are complying with this recommendation.
2. M P&C and its subsidiaries and affiliate P&C Companies must verify that the vendors who solicit the information from Met P&C's insureds on the construction characteristics of the home and do the calculations on the replacement cost of the property are completely accurate in estimating the replacement cost of the dwelling per K.S.A. 40-953. M P&C and its subsidiaries and affiliate P&C Companies have to submit a plan to KID within 30 days to show how they are complying with this recommendation.
3. M P&C and its subsidiaries and affiliate P&C Companies must stop including debris removal as part of its calculations in determining the limit A amount for its homeowners programs or re-file their homeowners program per K.S.A. 40-955 (a)(f). M P&C and its subsidiaries and affiliate P&C Companies have to submit a plan to KID within 30 days to show how they are complying with this recommendation.

Claim Handling

1. While M P&C was within the NAIC guidelines for both file documentation and timely handling of claim investigation, the exam team is making this recommendation that the company review with their claim staff the importance of adequate file documentation and timely claim investigation.

SCOPE OF REVIEW

A targeted market conduct examination of the M P&C underwriting files, claims and complaints was completed to determine compliance with applicable statutes, regulations and bulletins of the state of Kansas. The examination was conducted according to the guidelines and procedures recommended in the NAIC Market Conduct Examiners Handbook.

The examination included, but was **not limited to the following:**

COMPANY OVERVIEW

Certificates of Authority

COMPLAINT HANDLING

Record Keeping

Timely Response

UNDERWRITING & RATING

Proper Rating

Underwriting Acceptance/Termination

Use of Appropriate Forms

Promptness of Policy Issuance

Proper Maintenance of Underwriting Files

CLAIMS

Claim Processing

Use of Outside Pricing Entities

Timeliness and Accuracy of Claim Payment

Proper Maintenance of Claim Files

SUMMARY OF REVIEW

The testing and file review for the Company's underwriting and rating practices consisted of several samplings from the Company's corporate headquarters in Warwick, RI. The claim processing for the Company is handled out of their office in St. Louis, MO.

The examination included a review of the Company's underwriting and settled claim files from January 1, 2003 to June 30, 2005.

General topics were covered in Interrogatories submitted to the Companies for their written response. Subjects covered were Complaints, Underwriting and Claims. The responses received addressed the issues presented.

DESK EXAMINATION/ON-SITE EXAMINATION

COMPANY OVERVIEW

History and Profile

Metropolitan Property and Casualty Insurance Company was incorporated on August 31, 1972, under the laws of the State of Delaware as Metropolitan Property and Liability Insurance Company, and commenced business on December 8, 1972. Effective January 11, 1990, the company's corporate name was changed to its present name. M P&C re-domesticated from Delaware to Rhode Island, effective February 10, 1995.

M P&C's subsidiaries and affiliates include Metropolitan Casualty Insurance Company, Metropolitan Direct Property and Casualty Insurance Company, Metropolitan General Insurance Company, Metropolitan Group Property and Casualty Insurance Company, Metropolitan Reinsurance Company (U.K.) Limited, Metropolitan Lloyds, Inc, Attorney-in-Fact for Metropolitan Lloyds Insurance Company of Texas; Economy Fire & Casualty Company, Economy Preferred Insurance Company and Economy Premier Assurance Company.

M P&C is part of an insurance holding company system in which Metropolitan Life Insurance Company ["Metropolitan Life"] was the ultimate controlling person. Metropolitan Life converted from a mutual life insurance company to a stock life insurance company (the "Reorganization") on April 7, 2000. Prior to the Reorganization, Metropolitan Life was the ultimate controlling person of the holding company system that includes M P&C. Following the Reorganization, the shares of Metropolitan Life are owned by a newly-formed company, MetLife, Inc., which is now the ultimate controlling person.

M P&C entered into an agreement, effective September 30, 1999, with St. Paul Fire and Marine Insurance Company [St. Paul], a Minnesota insurance corporation, whereby M P&C acquired the St. Paul personal insurance business [SPPI], including the acquisition of Economy Fire & Casualty Company [Economy], an Illinois stock property-casualty insurance corporation and a direct wholly-owned subsidiary of St. Paul, and Economy's wholly-owned subsidiaries, Economy Preferred Insurance Company and Economy Premier Assurance Company, both Illinois insurance corporations.

In addition to the SPPI business, M P&C acquired the personal insurance business of the SPPI entities, specifically, St. Paul Mercury Company, St. Paul Guardian Insurance Company, Athena Assurance Company, The St. Paul Insurance Company of Illinois, The St. Paul Insurance Company of North Dakota, St. Paul Property and Casualty Insurance Company, St. Paul Fire and Casualty Insurance Company, St. Paul Indemnity Insurance Company, United States Fidelity & Guaranty Insurance Company, FGIU (Fidelity & Guaranty Investment

Underwriters), FGIC (Fidelity & Guaranty Insurance Company), and USF&G MS-Co. (USF&G Insurance Company of Mississippi).

As a result of a corporate restructuring initiative, all of M P&C's outstanding common stock (1,000 shares @ \$3,000 par value) was transferred from Metropolitan Life to MetLife, Inc. ("MET"), effective October 1, 2003.

M P&C is licensed in 48 states and the District of Columbia, the exceptions being Alaska and California. The company's home address and principal executive office address is 700 Quaker Lane, Warwick, Rhode Island 02886.

Tests for Company Operations/Management

Standard 7

Records are adequate, accessible, consistent and orderly and comply with state record retention requirements. K.S.A. 40-222 (a)(b)(c)(g).

The company provided the exam team with the necessary records and documents in a timely fashion.

Standard 8

The company is licensed for the lines of business that are being written. K.S.A. 40-216.

The Certificate of Authority was reviewed and found to be in order, and the company was complying with it.

Standard 9

The company cooperates on a timely basis with examiners performing the examinations. K.S.A. 40-222 (c)(g).

The company was very cooperative and provided the exam team with the items requested within the time frames established for this exam.

COMPLAINTS

Company Insurance Department Complaint Procedures

M P&C defines "a complaint as any written communication, including e-mail, which expresses a grievance or dissatisfaction about MetLife Auto & Home products and/or services. Written complaints can originate from any number of sources, e.g. customers, claimants, Insurance Departments, the news media, etc.

All complaints are directed to the Problem Resolution Team in Dayton, Ohio. This team keys information including line of business, the nature of the complaint, and the date it is received into Corporate Complaint Database. The complaint is then

distributed to the correct field office for reply. Once the response is completed a copy is forwarded to the Problem Resolution Team so that additional closure information regarding the final disposition and final disposition dates can be keyed into the database. With this database the Problem Resolution Team is able to prepare the complaint registers as described in K.S.A. 40-2404 (10) and the original complaint, response and summary are forwarded to M P&C record retention department to be retained for eight years.

As for reviewing the complaints, M P&C does a monthly countrywide analysis of complaint activity and watch for trends and improvement opportunities. These results are communicated to the executive officers. On a quarterly basis the Company does a deeper analysis into the complaint information on a per state basis, and a committee reviews the results.

Tests for Complaint Handling

Standard 1

All complaints are recorded in the required format on the company complaint register. K.S.A. 40-2404 (10).

The company meets this standard.

Standard 2

The company has adequate complaint handling procedures in place and communicates such procedures to policyholders. K.A.R. 40-1-34, Sections 5(a) & 6.

The company meets this standard.

Standard 3

The company takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations, and contract language. K.A.R. 40-1-34, 6.

The company meets this standard.

Standard 4

The time frame within which the company responds to complaints is in accordance with applicable statutes, rules and regulations. K.A.R. 40-1-34, Sections 6 & 8(a)(c).

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Complaints	18	1	94

The company passed Standard 4.

UNDERWRITING and RATING

The company's underwriting & rating process is described below:

Auto

M P&C uses computer automation to process new and renewal business. For new business, the quoting and application process is achieved through an internet based application called the Metlife Agency Resource Site (A.R.S). Tier placement is achieved during the automated processing based on the information that has been provided by the customer on the application. The information provided by the applicant is compared against typical consumer reports such as a MVR's, CLUE reports and Personal Financial Management (P.F.M. This is M P&C's internal credit model.). The system performs a series of checks and edits that result in the policy being automatically issued or referred to an underwriter for further review depending upon the type of edits that are encountered.

M P&C underwriters utilize an internal system for viewing the referral business. This system is known as L.I.N.U.S. Renewal business is also processed on an automated basis. The system performs a series of checks and edits. Renewal Policies that meet pre-defined criteria are referred to our underwriters for review via the L.I.N.U.S system.

Homeowners

M P&C uses computer automation to process new business and renewal business. For new business, the quoting and application process is achieved through the same A.R.S. system as auto. Tier placement is achieved during the automated processing based on the information that has been provided by the customer on the application. The information provided by the applicant is compared against typical consumer reports like property CLUE, PFM and property inspection reports. The system performs a series of checks and edits that result in the policy being automatically issued or referred to an underwriter for further review depending upon the type of edits that are encountered.

M P&C underwriters utilize L.IN.U.S. for homeowners referral business. Renewal business is also processed on an automated basis. The system performs a series of checks and edits. Renewal Policies that meet pre-defined criteria are referred to our underwriters for review via the L.I.N.U.S system.

Tests for Underwriting and Rating

Standard 1: Rating Practices

The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the company rating plan. K.S.A. 40-955.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto New Business	36	0	100%

Homeowners New Business	35	0	100%
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The company passed Standard 1.

Standard 2: Rating Practices

Disclosures to insureds concerning rates and coverage are accurate and timely. K.S.A. 40-955.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto New Business	36	0	100%
Homeowners New Business	35	0	100%

The company passed Standard 2.

Standard 3: Rating Practices

Credits and deviations are consistently applied on a non-discriminatory basis. K.S.A. 40-953 & K.S.A. 40-954.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto New Business	36	0	100%
Homeowners New Business	35	0	100%

The company passed Standard 3.

Standard 4: Rating Practices

Schedule rating or individual risk premium modification plans, where permitted, are based on objective criteria with usage supported by appropriate documentation. K.A.R. 40-3-32(d), K.A.R. 40-3-12, K.S.A. 40-953 & K.S.A. 40-954.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto New Business	36	2	94%
Homeowners New Business	35	0	100%

-1 vehicle was rated as a utility/farm vehicle when it did not meet the definition. This is a violation of K.S.A. 40-955 (a)(f).

-1 policy had a home/auto discount bit did not qualify for the credit. This is a violation of K.S.A. 40-955 (a)(f).

K.S.A. 40-955 - Rate filings;

(a) Every insurer shall file with the commissioner, except as to inland marine risks where general custom of the industry is not to use manual rates or rating plans, every manual of classifications, rules and rates, every rating plan, policy form and every modification of any of the foregoing which it proposes to use....

(f) No insurer shall make or issue a contract or policy except in accordance with filings which have been filed or approved for such insurer as provided in this act.

The company passed Standard 4.

Standard 11: Underwriting Practices

The company underwriting practices are not unfairly discriminatory. The company adheres to applicable statutes, rules and regulations and company guidelines in the selection of risks. K.S.A. 40-953, K.S.A. 40-954, K.S.A. 40-955 & K.A.R. 40-3-44.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto New Business	36	0	100%
Homeowners New Business	35	0	100%

The company passed Standard 11.

Standard 12: Underwriting Practices

All forms and endorsements forming a part of the contract are listed on the declaration page and should be filed with the department of insurance (if applicable). K.S.A. 40-216.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto New Business	36	0	100%
Homeowners New Business	35	0	100%

The company passed Standard 12.

Standard 14: Underwriting Practices

Underwriting, rating and classification are based on adequate information developed at or near inception of the coverage rather than near expiration, or following a claim. K.S.A. 40-953.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto New Business	36	0	100%
Homeowners New Business	35	0	100%

The company passed Standard 14.

Standard 15: Underwriting Practices

File documentation adequately supports decisions made. K.S.A. 40-953 & K.S.A. 40-955.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto New Business	36	0	100%
Homeowners New Business	35	0	100%

The company passed Standard 15.

Standard 16: Underwriting Practices

Policies and endorsements are issued or renewed accurately, timely and completely. K.S.A. 40-216, K.S.A. 40-953 & K.S.A. 40-955.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto New Business	36	0	100%
Homeowners New Business	35	0	100%

The company passed Standard 16.

Standard 18: Underwriting Practices

Company verifies that VIN number submitted with application is valid and that the correct symbol is utilized. K.S.A. 40-953 & K.S.A. 40-954.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto New Business	36	0	100%

The company passed Standard 18.

Standard 22: Rejections/Declinations

Rejections and declinations are not unfairly discriminatory. K.S.A. 40-954 (c) & K.A.R. 40-3-40.

The company does not reject or decline a new submission. Bound applications are issued and then cancelled if the client does not meet the new business criteria.

Standard 23: Termination Practices

Cancellation/non-renewal notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other parties to the contract. K.S.A. 40-276(a), K.S.A. 40-277, K.S.A. 40-278, K.S.A. 40-2,111, K.S.A. 40-2,112, K.S.A. 40-2,120, K.S.A. 40-2,121, K.S.A. 40-2,122, K.A.R. 40-3-15, K.A.R. 40-3-23, K.A.R. 40-3-28 & K.A.R. 40-3-31.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Cancellations Insured’s request/Non Pay	25	0	100%
Cancellations for underwriting	50	3	94%
Non-renewals for underwriting	44	0	100%

-3 policies made reference to the another state’s FAIR plan. This is a violation of K.S.A. 40-955 (a)(f).

The company passed Standard 23.

Standard 25: Termination Practices

Unearned premiums are correctly calculated and returned to appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations. K.S.A. 40-2,112 (d)(1).

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Cancellation/Decline	50	0	100%

The company passed Standard 25.

Standard 26: Terminations

Rescissions are not made for non-material misrepresentation.

This standard was not specifically tested for. In the regular file review, there were no rescissions taken in the 50 cancellation files that were reviewed.

Insurance To Value (ITV) on Property Policies

M P&C's requirement for dwelling replacement cost on their homeowners programs is to write properties on a replacement cost basis. The dwelling must be insured to 100% of the calculated replacement value. If written under their Market Value program, then Coverage A is required to be written at 100% of the current market value, or, alternatively an amount not more than 50% of the calculated replacement cost (TCE), whichever is greater.

To determine the replacement cost of a property, M P&C uses the Marshall & Swift/Boeckh (MSB) replacement cost calculation engine. They use the Total Component Estimating (TCE) tool which takes into account risk-specific costs. The calculation engine is designed to be used nationwide and does specifically take into account regional differences in the costs of labor and materials. Included in the MSB replacement cost calculation engine is an allowance for Contractor's Profit & Overhead fees, licenses permits and architectural fees and debris removal.

The TCE program is built into their new business homeowners processing. All new business has to have a replacement cost calculated based on certain construction elements.

M P&C does not automatically inspect 100% of all new business. Rather, property inspections are ordered based on the presence of defined characteristics or at the discretion of the underwriter.

Issue One

The use of additional components such as Contractor's Overhead & Profit fees and license permits and architectural fees need to be verified. The Company must verify that the vendor who does the calculations is completely accurate in estimating the replacement cost of the dwelling. The examiners saw 1 complaint file where the vendor miscalculated the replacement cost of the dwelling by almost \$43,000 due to the wrong assumptions and values. This could be a violation of K.S.A. 40-953:

K.S.A. 40-953. Same; excessive, inadequate or unfairly discriminatory rates or rates resulting in destruction of competition, standards

...One rate is unfairly discriminatory in relation to another in the same class if it clearly fails to reflect equitably the differences in expected losses and expenses.

Issue Two

M P&C includes the cost of debris removal as part of their calculation in determining the replacement cost of a home. M P&C response to KID indicates that it should

“be noted that if the amount payable for the actual damage to the property, plus the debris removal is more than our limit of liability for the covered property, we will pay up to an additional 10% of that limit for debris removal. Below is an example that will illustrate this.

- Coverage A Amount is \$100,000
- Dwelling is a total loss that will cost \$100,000 to rebuild\
- Debris Removal cost is an extra \$7500
- We will pay the full \$107,500: the coverage limit for debris removal in this case would be 10% or \$10,000.

... we do not charge a separate premium for debris removal. We add 5% debris removal to the construction cost...Coverage A is used as one of many components to determine the policy premium.”

M P&C’s Ultra & Plus homeowners policy reads “If the amount payable for the property damage plus the debris removal is more than our limit of liability for the covered property, we will pay up to an additional 10% of that limit for debris removal”. The policy calls for the company to cover the dwelling, Coverage A, up to a limit of liability as shown in the Dec page. Debris removal is listed on page 4 of M P&C’s Ultra & Plus contracts as an Additional Coverage. And M P&C policy does indicate that “we will pay up to an additional 10% of that limit for debris removal”.

KID’s position is that this debris removal is an additional amount above the Coverage A limit. Neither the policy nor MET P&C’s rating procedures call for the Company to increase the Coverage A limit on the Dec page an additional 5-10%. Debris removal is automatically included as an additional amount of coverage that is built into the policy language. If Met P&C is going to increase Coverage A on its Dec page by a certain percentage to include an amount for debris removal, it must re-file its homeowners program with KID. This is a violation of K.S.A. 40-955 (a)(f):

K.S.A. 40-955 - Rate filings; disapproval of filings

(a) Every insurer shall file with the commissioner, except as to inland marine risks where general custom of the industry is not to use manual rates or rating plans, every manual of classifications, rules and rates, every rating plan, policy form and every modification of any of the foregoing which it proposes to use. Every such filing shall indicate the proposed effective date and the character and extent of the coverage contemplated and shall be accompanied by the information upon which the insurer supports the filings. A filing and any supporting information shall be open to public inspection after it is filed with the commissioner...

(f) No insurer shall make or issue a contract or policy except in accordance with filings which have been filed or approved for such insurer as provided in this act.

Recommendations

1. M P&C should review their property termination procedures to insure that the proper termination forms are being sent to Kansas policyholders per K.S.A. 40-955. M P&C has to submit a plan to KID within 30 days to show how they are complying with this recommendation.
2. M P&C and its subsidiaries and affiliate P&C Companies must verify that the vendors who solicit the information from Met P&C's insureds on the construction characteristics of the home and do the calculations on the replacement cost of the property are completely accurate in estimating the replacement cost of the dwelling per K.S.A. 40-953. M P&C and its subsidiaries and affiliate P&C Companies have to submit a plan to KID within 30 days to show how they are complying with this recommendation.
3. M P&C and its subsidiaries and affiliate P&C Companies must stop including debris removal as part of its calculations in determining the limit A amount for its homeowners programs or re-file their homeowners program per K.S.A. 40-955 (a)(f). M P&C and its subsidiaries and affiliate P&C Companies have to submit a plan to KID within 30 days to show how they are complying with this recommendation.

CLAIM HANDLING

Company claim handling procedures:

All new claims are received electronically through M P&C's CHARLIE claims system from their Initial Action Teams (IAT) located in St. Louis, MO or Freeport, IL. The new claims are received as ALERTS to the individual adjusters and are assigned automatically on a rotational basis to the appropriate Field Claim Office based on the profiles for the adjuster in the system and the severity of the claim (i.e. single car loss with no injuries, multi-car loss with injuries, theft, etc.).

Upon receipt of the new loss, contact attempts begin immediately. M P&C attempt to contact all parties involved in the losses to assess damages and injuries. Should there be property damage requiring a physical inspection, an electronic assignment is made via their dispatch department to the appropriate distribution.

Settlements are made within the adjuster's authority. Settlement authority must be obtained for settlements over an adjuster's authority. Settlement checks are electronically generated by keying in the check data, and are printed the following day.

Tests for Claims (See Appendix I for the wording of the appropriate statute or regulation)

Standard 1

The initial contact by the company with the claimant is within the required time frame. K.A.R. 40-1-34, 6(a)(d).

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto Claims	50	0	100%
Homeowners Claims	69	0	100%

The Company passed Standard 1.

Standard 2

Timely investigations are conducted. K.A.R. 40-1-34, Sections 7 & 8(c).

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto Claims	50	2	96%
Homeowners Claims	69	4	94%

-2 auto claims did not have the investigation completed within 30 days per K.A.R. 40-1-34, 7.

-3 homeowners claims did not have the investigation completed within 30 days per K.A.R. 40-1-34, 7.

-1 homeowners claim did not advise the insured additional time needed to complete the investigation per K.A.R. 40-1-34, 8(c).

The Company passed Standard 2.

Standard 3

Claims are resolved in a timely manner. K.A.R. 40-1-34, 8(a)(c).

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto Claims	50	0	100%
Homeowners Claims	69	2	97%

-2 homeowners claims were not paid within 15 working days of receipt of proof of loss. This is a violation of K.A.R. 40-1-34, 8 (a)(c).

The Company passed Standard 3.

Standard 4

The company responds to claim correspondence in a timely manner. K.A.R. 40-1-34, 6(a)(d).

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto Claims	50	0	100%
Homeowners Claims	69	1	99%

The Company passed Standard 4.

Standard 5

Claim files are adequately documented. K.A.R. 40-1-34, Sections 4, 6(a) & 8(b).

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto Claims	50	1	98%
Homeowners Claims	69	5	93%

1 auto and 5 Homeowners claims lacked adequate documentation per K.A.R . 40-1-34, 4.

The Company passed Standard 5.

Standard 6

Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations. K.A.R. 40 -1-34, Sections 5(a), 8, & 9, K.S.A. 40-3110, K.S.A. 40-2,126.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto Claims	50	2	97%
Homeowners Claims	69	2	97%

-1 auto claim involved a trailer that was a total loss, the adjuster based his evaluation of the value of the item solely on a CCC evaluation of several units that were outside the local market area. And there was no documentation for arriving at a settlement figure based on the insured retaining the salvage. This is a violation of KAR 40-1-34, 9(a)(2)(3).

-1 auto and 2 homeowners claims involved paying an insured a different deductible amount than what was written in the policy. This is a violation of K. A.R. 40-1-34, 5(a)

The Company passed Standard 6.

Standard 7

Company uses the reservation of rights and excess of loss letters, when appropriate.

This exam team did not specifically test for this standard. In the normal review of the sample claim files, any reservation of rights and excess of loss letter activity would have been reviewed, and the examiner would have noted it. There were no issues with the files that were reviewed.

Standard 8

Deductible reimbursement to insureds upon subrogation recovery is made in a timely and accurate manner. K.A.R. 40-1-34, 9(d).

This exam team did not specifically test for this standard. In the normal review of the sample claim files, any reservation of rights and excess of loss letter activity would have been reviewed, and the examiner would have noted it. There were no issues with the files that were reviewed.

Standard 9

Company claim forms are appropriate for the type of product.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Auto Claims	50	1	98%
Homeowners Claims	69	0	93%

The Company passed Standard 5.

Standard 11

Denied and closed-without-payment claims are handled in accordance with policy provisions and state law. K.A.R. 40- 1-34, 8(a)(b)(c).

Out of the sample of auto and homeowners claims there were 8 auto and 8 homeowners claims that were reviewed. The Company passed Standard 11.

Standard 12

Cancelled benefit checks and drafts reflect appropriate claim handling practices.

<u>Type</u>	<u>Sample</u>	<u>Errors</u>	<u>%Pass</u>
Canceled Checks	25	0	100%

The Company passed Standard 12.

Standard 13

Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy. K.S.A. 40-2404, 9(f)(g).

This exam team did not specifically test for this standard. In the normal review of the sample claim files, any reservation of rights and excess of loss letter activity would have been reviewed, and the examiner would have noted it. There were no issues with the files that were reviewed.

Recommendations:

1. While M P&C was within the NAIC guidelines for both for documentation and timely handling of claim investigation the exam team is making this recommendation that the company review with the claim staff the importance of adequate file documentation and timely clam investigation

GENERAL COMMENTS

Underwriting

1. M P&C should review their property termination procedures to insure that the proper termination forms are being sent to Kansas policyholders per K.S.A. 40-955. M P&C has to submit a plan to KID within 30 days to show how they are complying with this recommendation.
2. M P&C and its subsidiaries and affiliate P&C Companies must verify that the vendors who solicit the information from Met P&C's insureds on the construction characteristics of the home and do the calculations on the replacement cost of the property are completely accurate in estimating the replacement cost of the dwelling per K.S.A. 40-953. M P&C and its subsidiaries and affiliate P&C Companies have to submit a plan to KID within 30 days to show how they are complying with this recommendation.
3. M P&C and its subsidiaries and affiliate P&C Companies must stop including debris removal as part of its calculations in determining the limit A amount for its homeowners programs or re-file their homeowners program per K.S.A. 40-955 (a)(f). M P&C and its subsidiaries and affiliate P&C Companies have to submit a plan to KID within 30 days to show how they are complying with this recommendation.

Claim Handling

1. While M P&C was within the NAIC guidelines for both for documentation and timely handling of claim investigation the exam team is making this recommendation that the company review with the claim staff the importance of adequate file documentation and timely clam investigation.

CONCLUSION

I would like to acknowledge the cooperation and courtesy extended to the examination team by Bill McDonald and the staff of Metropolitan Property & Casualty Insurance Co.

The following examiners of the Office of the Commissioner of Insurance in the State of Kansas participated in the review:

Market Conduct Division

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Respectfully submitted,

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