

JESSE LASLOVICH
 BRETT O'NEIL
 Office of the Commissioner of Securities and Insurance
 Montana State Auditor
 840 Helena Avenue
 Helena, MT 59601
 406-444-2040

Attorneys for the CSI

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
 MONTANA STATE AUDITOR**

IN THE MATTER OF)	CASE NO. INS-2013-131
)	
TRAVELERS CASUALTY AND)	NOTICE OF PROPOSED AGENCY
SURETY COMPANY, TRAVELERS)	ACTION AND OPPORTUNITY FOR
CASUALTY AND SURETY COMPANY)	HEARING
OF AMERICA, THE TRAVELERS)	
CASUALTY COMPANY, TRAVELERS)	
CASUALTY COMPANY OF)	
CONNECTICUT, TRAVELERS)	
CASUALTY INSURANCE COMPANY)	
OF AMERICA, TRAVELERS)	
COMMERCIAL CASUALTY)	
COMPANY, TRAVELERS)	
COMMERCIAL INSURANCE)	
COMPANY, AND TRAVELERS)	
CONSTITUTION STATE INSURANCE)	
COMPANY,)	
)	
Respondents.)	

Staff of the Office of the Commissioner of Securities and Insurance, Montana State Auditor (CSI), pursuant to the authority of the Montana Insurance Code, Mont. Code Ann. § 33-1-101 et seq. (Code), is proposing to the Commissioner of Securities and Insurance, Montana State Auditor (Commissioner), that she take specific action against the above-captioned Travelers companies (Respondent) for violations of the Code. The Commissioner has authority

to take such action under the provisions of §§ 33-1-102, 33-1-301, 33-1-311, 33-1-315, 33-1-317, and 33-1-318. Service of process is pursuant to § 33-1-314.

REASONS FOR ACTION

There is probable cause to believe that the following facts, if true, justify and support such specific action. Furthermore, there is reason to believe that the following facts will be proven true, and, therefore, justify and support an appropriate fine.

ALLEGATIONS OF FACT

1. On May 17, 2013, the CSI issued a request via certified mail to Respondent to produce information regarding a potential violation of § 33-18-223. The CSI gave Respondent until May 31, 2013, to respond to that request. (Exhibit 1.)
2. On May 20, 2013, Respondent received that request. (Exhibit 2.)
3. Respondent failed to respond to that request, failed to produce the requested information by May 31, 2013, and failed to request an extension of the May 31, 2013, deadline.
4. On April 26, 2011, Respondent's subsidiary, The Travelers Indemnity Company, Inc., entered into an Agreement with the CSI, wherein it promised to "timely answer the CSI's future requests for information and implement procedures to ensure compliance with Mont. Code Ann. § 33-1-315." (Exhibit 3, page 2.)
5. Respondent still has not responded to the CSI's May 17, 2013, request for information.

CONCLUSIONS OF LAW

1. The Commissioner has jurisdiction over this matter pursuant to § 33-1-101 et seq.
2. A "person" is an individual, insurer, company, association, organization, partnership, business trust, corporation, or any other legal entity. (§ 33-1-202(3).)

3. Respondent is a "Person" as defined by § 33-1-202(3).

4. A person who knowingly fails to answer and produce records requested by the Commissioner is subject the provisions of § 33-1-317. (§ 33-1-315(5).)

RELIEF REQUESTED

WHEREFORE, the CSI seeks the following relief:

1. Pursuant to § 33-17-317, imposition of a fine not to exceed \$25,000 per violation of the Code for each identifiable violation of the Code.

STATEMENT OF RIGHTS

You are entitled to a hearing to respond to this notice, and to present evidence and arguments on all issues involved in this case. You have a right to be represented by an attorney at any and all stages of this proceeding. You may demand a formal hearing before a hearing examiner appointed by the Commissioner pursuant to the Montana Administrative Procedure Act, § 2-4-601 et seq., including § 2-4-631. If you demand a hearing, you will be given notice of the time, place, and the nature of the hearing.

If you wish to contest the proposed action under the jurisdiction of the Commissioner, you must advise the Commissioner within 21 days of the date you receive this notice. You must advise the Commissioner of your intent to contest the proposed action by writing to Jesse Laslovich, Office of the Commissioner of Securities and Insurance, Montana State Auditor, 840 Helena Avenue, Helena, Montana 59601. Your letter must clearly indicate whether you demand a hearing, or whether you waive formal proceedings and, if so, what informal proceedings you prefer for disposition of this case. Pursuant to § 2-4-603(2), you may not request to proceed informally if the action could result in suspension, revocation, or any other adverse action against a professional license. Should you request a hearing on the matters raised in this Notice, a

hearing must be held within 45 days of the request, unless postponed by mutual consent of the parties, pursuant to § 33-1-701(3).

Should you request a hearing, you have the right to be accompanied, represented, and advised by counsel. If the counsel you choose has not been admitted to practice law in the state of Montana, he or she must comply with the requirements of *Application of American Smelting and Refining Co.* (1973), 164 Mont. 139, 520 P.2d 103, and *Montana Supreme Court Commission on the Unauthorized Practice of Law v. O'Neil*, 2006 MT 284, 334 Mont. 311, 147 P.3d 200.

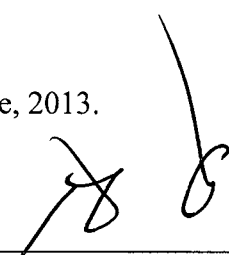
CONTACT WITH COMMISSIONER'S OFFICE

If you have questions or wish to discuss this matter, please contact Brett O'Neil, legal counsel for the CSI, at 840 Helena Avenue, Helena, MT, 59601, 406-444-2040. Please make any contacts with this office through your attorney.

POSSIBILITY OF DEFAULT

Failure to give notice or to advise of your demand for a hearing or informal procedure within 15 days will result in the entry of a default order imposing the disciplinary sanctions against you without further notice to you, pursuant to Mont. Admin. R. 6.2.101, and the Attorney General's Model Rule 10, Mont. Admin. R. 1.3.214.

DATED this 27th day of June, 2013.

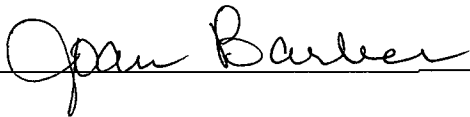


JESSE LASLOVICH
BRETT O'NEIL
Attorneys for the CSI

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served on the 27th day of June, 2013, by US mail, first-class postage paid, to the following:

Corporation Service Company
26 West Sixth Avenue
P.O. Box 1691
Helena, MT 59601



COMMISSIONER OF SECURITIES & INSURANCE

MONICA J. LINDEEN
COMMISSIONER



OFFICE OF THE MONTANA
STATE AUDITOR

May 17, 2013

Travelers Companies
Attn.: Legal Department
One Tower Square
Hartford, CT 06183-6014

Re: Montana Insurance Code

Dear Counsel:

On behalf of the Office of the Commissioner of Securities and Insurance, Montana State Auditor (CSI), the purpose of this correspondence is to put the Travelers Companies on notice that the following Travelers Companies may be in violation of the Montana Insurance Code, §§ 33-1-101 et seq. (Insurance Code):

1. Travelers Casualty and Surety Company
2. Travelers Casualty and Surety Company of America
3. Travelers Casualty Company, The
4. Travelers Casualty Company of Connecticut
5. Travelers Casualty Insurance Company of America
6. Travelers Commercial Casualty Company
7. Travelers Commercial Insurance Company
8. Travelers Constitution State Insurance Company

As you know, the CSI is charged with enforcing the Montana Insurance Code.

First, Mont. Code Ann. § 33-18-223 prohibits, among other things, the Travelers Companies from using a glass broker to set a price that a glass repair shop must meet as a condition precedent to a glass repair shop doing work for it. The Travelers Companies are also prohibited from establishing a price that is below the market price as provided in § 33-18-222. *Id.* The CSI has reason to believe that some or all of the Travelers Companies may be using a glass broker in Montana that may be setting prices in violation of Montana law, and, accordingly, such Travelers Companies appear to have violated the aforementioned statutes. To assist the CSI in determining whether violations have occurred, please provide the following in writing to the CSI **no later than May 31, 2013.**

1. Copies of any contracts entered into with a third-party billing vendor for purposes of serving as a glass broker.
2. Copies of any contracts entered into with Montana glass repair facilities that show pricing agreed to by the facility and each of the Travelers Companies.

Phone: 1-800-332-6148 / (406) 444-2040 / Main Fax: (406) 444-3497
Securities Fax: (406) 444-5558 / PHS Fax: (406) 444-1980 / Legal Fax: (406) 444-3499
840 Helena Ave., Helena MT 59601 Website: www.csi.mt.gov E-Mail: csi@mt.gov



Travelers Companies
Attn.: Legal Department
May 17, 2013
Page 2

3. Copies of any analyses conducted by each of the Travelers Companies or its third-party vendor that show the prevailing competitive rate in local areas throughout Montana.

In addition to the foregoing, please also provide the CSI with the following:

4. Confirmation to the CSI that each Travelers Company does not utilize a paint cap or threshold for paint and materials for which an automobile body repair business invoices.

Please be advised that the CSI considers an automobile body repair business invoice to be credible.

Finally, the CSI reminds the Travelers Companies of § 33-18-224(1)(a)(iii) which prohibits an insurer from unilaterally disregarding a repair operation or cost identified by an estimating system that a Travelers Company and an automobile body repair business or location have agreed to utilize in determining the cost of repair. Please also include in your response prior to May 31, 2013, confirmation that the Travelers Companies are not unilaterally disregarding such costs. If the CSI receives documentation that the Travelers Companies are unilaterally disregarding such costs, the CSI will initiate an agency action.

The CSI appreciates your prompt attention to the foregoing and looks forward to your timely response. To the extent all of the Travelers Companies fail to adequately respond to this request prior to May 31, 2013, the CSI will initiate an administrative action.

Sincerely,




JESSE LASLOVICH
Chief Legal Counsel

JAL/sls

(Sent by certified mail return receipt requested.)

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete Items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <i>[Handwritten Signature]</i> <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name)</p> <p>C. Date of Delivery <i>May 20 2005</i></p>
<p>1. Article Addressed To:</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> Travelers Companies Attn: Legal Department One Tower Square Hartford, CT 06183-6014 </div>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:</p> <p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input checked="" type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label)</p>	<p>7011 2000 0001 0420 5539</p>
<p>PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540</p>	

UNITED STATES POSTAL SERVICE



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

RECEIVED
STATE AUDITORS
OFFICE
HELENA, MONTANA
MAY 24 9 25 AM '05

• Sender: Please print your name, address, and ZIP+4 in this box. •

MONICA J LINDEEN
COMMISSIONER OF SECURITIES & INSURANCE
MONTANA STATE AUDITOR
840 HELENA AVENUE
HELENA MT 59601

Attn: Sybil

EXHIBIT

2

JAMESON C. WALKER
Office of the Commissioner of Securities and Insurance
Montana State Auditor
840 Helena Avenue
Helena, MT 59601
(406) 444-2040
jwalker2@mt.gov

Attorney for the Department of Insurance

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
OFFICE OF THE STATE AUDITOR
STATE OF MONTANA**

IN THE MATTER OF)	CASE NO. INS-2011-2
)	
THE TRAVELERS INDEMNITY)	CONSENT AGREEMENT AND
COMPANY, INC., a Connecticut)	FINAL ORDER
Corporation,)	
)	
Respondent.)	

This Consent Agreement and Final Order (Agreement) is entered into by the office of the Commissioner of Securities and Insurance, Montana State Auditor (CSI), acting pursuant to the authority of the Montana Insurance Code, Mont. Code Ann. § 33-1-101, *et seq.* (Insurance Code), and The Travelers Indemnity Company, Inc. (Respondent).

RECITALS

WHEREAS, the CSI received a referral from the National Insurance Crime Bureau. In the referral, the Respondent alleged that one of its insureds committed insurance fraud by filing a claim with exaggerated injuries;



WHEREAS, on several occasions, the CSI attempted to contact the Respondent by telephone and certified mail instructing the Respondent to provide information relevant to the fraud referral;

WHEREAS, the Respondent did not respond to these messages nor provide the materials requested;

WHEREAS, the CSI alleged that the Respondent violated Mont. Code Ann. § 33-1-315 by failing to answer and procure records, documents, or other evidence requested by the Commissioner or the Commissioner's designee; and

WHEREAS, the CSI and the Respondent agree that the best interests of the public would be served by entering into this Agreement;

NOW, THEREFORE, in consideration of the mutual undertakings contained in this Agreement, the CSI and the Respondent hereby agree to settle this matter pursuant to the following terms and conditions:

STIPULATIONS AND CONSENTS

I. Without admitting or denying any of the CSI's allegations, the Respondent stipulates and consents to the following:

A. Within ten days from the execution of this Agreement, the Respondent shall pay a \$2,500.00 fine to the state of Montana. The fine should be made payable to the "State of Montana" and sent to the CSI, c/o Jameson C. Walker, Attorney, 840 Helena Avenue, Helena, MT 59601.

B. The Respondent shall timely answer the CSI's future requests for information and shall implement procedures to ensure compliance with Mont. Code Ann. § 33-1-315.

C. The Respondent shall comply with the terms and conditions of this Agreement, the Insurance Code, and all other regulations of the state of Montana.

D. The Respondent fully and forever releases and discharges the Commissioner of Securities and Insurance (Commissioner), the CSI, and all of the CSI's employees and agents from any and all actions, claims, causes of action, demands, or expenses for damages or injuries, whether asserted or unasserted, known or unknown, foreseen or unforeseen, arising out of this Agreement.

E. The Respondent specifically and affirmatively waives a contested case hearing and all rights to appeal under the Montana Administrative Procedure Act, Mont. Code Ann. § 2-4-101, *et seq.*, and elects to resolve this matter on the terms and conditions set forth herein.

II. All parties to this Agreement stipulate and consent as follows:

A. The Commissioner and the CSI have jurisdiction over the subject matter of the above-entitled proceeding.

B. Under authority of the Insurance Code, the CSI hereby agrees that it will not initiate any civil or administrative action against the Respondent regarding the allegations contained in this action.

C. This Agreement is entered without adjudication of any issue, law or fact. It is entered into solely for the purpose of resolving the CSI's allegations and is not intended to be used for any other purpose. For any person or entity not a party to this Agreement, this Agreement does not limit or create any private rights or remedies against the Respondent including limit or create liability of Respondent, or limit or create defenses of Respondent, to any claims.

D. The applicable statute of limitation, Mont. Code Ann. § 33-1-318, is tolled for two years from the date of execution of this Agreement with regard to the allegations set forth above. In the event Respondent violates the terms of this Agreement at any time during the two-year tolling period, the CSI reserves the right to seek additional fines.

E. This Agreement constitutes the entire agreement between the parties and no other promises or agreements, either express or implied, have been made by the CSI or by any member, officer, agent or representative of the CSI to induce Respondent to enter into this Agreement.

F. This Agreement may not be modified orally, and any subsequent modifications to this Agreement must be mutually agreed upon in writing to be effective.

G. This Agreement shall be incorporated into and made a part of the attached Final Order issued by the Commissioner herein.

H. This Agreement shall be effective upon signing of the Final Order.

I. The Agreement is a public record under Montana law and as such may not be sealed or otherwise withheld from the public.

DATED this 26th day of April, 2011

INSURANCE DEPARTMENT

By: _____


JAMESON C. WALKER

Attorney for the Department of Insurance

DATED this 18th day of April, 2011

THE TRAVELERS INDEMNITY COMPANY

By: 

Its: SVP Chief Compliance Officer

FINAL ORDER

Pursuant to the authority vested by Mont. Code Ann. § 2-4-603 and § 33-1-101, *et seq.*,
and upon review of the foregoing Consent Agreement and good cause appearing,

IT IS HEREBY ORDERED that the foregoing Consent Agreement between the CSI and
Respondent Travelers Indemnity Company, Inc. is adopted as if set forth fully herein.

DATED this 26th day of April, 2011.

MONICA J. LINDEEN
Commissioner of Securities and Insurance
Montana State Auditor

By: Robert Moon
ROBERT MOON
Deputy Insurance Commissioner

cc. Jameson C. Walker
Travelers Indemnity Company