

# **Market Conduct Examination**

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**METROPOLITAN GROUP PROPERTY AND  
CASUALTY INSURANCE COMPANY**

**and**

**METROPOLITAN DIRECT PROPERTY AND  
CASUALTY INSURANCE COMPANY**

Latham, New York

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

Consumer Protection Services

Market Conduct Examinations and Anti-Fraud Compliance

Date Adopted: June 30, 2009

MARKET CONDUCT EXAMINATION

of the

METROPOLITAN GROUP PROPERTY AND CASUALTY COMPANY

and

METROPOLITAN DIRECT PROPERTY AND CASUALTY INSURANCE  
COMPANY

located in

Latham, New York

as of

May 30, 2008

BY EXAMINERS

of the

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

CONSUMER PROTECTION SERVICES  
MARKET CONDUCT EXAMINATION AND ANTI-FRAUD COMPLIANCE

**DATE ADOPTED: June 30, 2009**

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# I. INTRODUCTION

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This is a report of the Market Conduct activities of the Metropolitan Direct Property and Casualty Insurance Company and Metropolitan Group Property and Casualty Insurance Company (hereinafter referred to as “Metropolitan Direct or Metropolitan Group” or “the Company”). In this report, examiners of the New Jersey Department of Banking and Insurance (NJDOBI) present their findings, conclusions and recommendations as a result of their market conduct examination.

## A. SCOPE AND PURPOSE OF THE EXAMINATION

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The scope of this examination included private passenger automobile insurance sold by the Company in New Jersey. The examiners conducted an evaluation of the Company’s compliance with select requirements of the FAIR ACT and the regulations and statutes that pertain to automobile underwriting, terminations and prompt payment of PIP claims. This examination covered the Company’s New Jersey private passenger automobile insurance business activities during the period January 1, 2007 to December 31, 2007. Between May 12, 2008 and May 30, 2008, the examiners completed their field work at the Company’s Latham, New York office. On various dates thereafter, the examiners completed additional review work and report writing in Trenton, NJ. The Market Conduct Examiners included Bob Greenfield, Examiner-in-Charge, Richard Segin, William Sonntag, and John Sivon. The examiners randomly selected files and records from computer listings and documents provided by the Company. The random selection process is in accordance with the National Association of Insurance Commissioners’ Market Conduct Examination Handbook.

## B. ERROR RATIOS

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Error ratios are the percentage of files reviewed which an insurer handles in error. A file will also be counted as an error when it is mishandled or the insured is treated unfairly, even if no statute or regulation is applicable. If a file contains multiple errors, the examiners will count the file only once in calculating error ratios. However, any file which contains more than one error will be cited more than once in the report. In the event that the insurer corrects an error as a result of a consumer complaint or due to the examiners’ findings, the error will be included in the error ratio. If the insurer corrects an error independent of a complaint or NJDOBI intervention, the error is not included in the error ratios. For the most part, this is a report by exception. Most of the statutes and/or regulations cited in this report define unfair practices or practices in general as specific acts that an insurer commits with such frequency that it constitutes an

improper general business practice. The examiners have cited and identified in this report all errors that constitute an improper general business practice.

The examiners sometimes find improper general business practices of an insurer that may be technical in nature or which did not have an impact on a consumer. Even though such a practice would not be in compliance with applicable law, the examiners do not count each of these files as an error in determining error ratios. Whenever such business practices do have an impact on the consumer, each of the files in error will be counted in the error ratio. The examiners have identified all errors and files that are not included in the error ratio.

The examiners submitted written inquiries to Company representatives on the errors cited in this report. This provided Metropolitan Direct/Metropolitan Group the opportunity to respond to the examiners' findings and to provide exception to the statutory and/or regulatory errors or mishandling of files reported herein. In response to these inquiries, the Company agreed with some of the errors cited in this report. On those errors with which the Company disagreed, the examiners evaluated the individual merits of each response and gave due consideration to all comments provided. In some instances, the examiners did not cite the files due to the Company's explanatory responses. In others, the errors remained as cited in the examiners' inquiries.

## C. COMPANY PROFILE

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Metropolitan Group Property and Casualty Insurance Company (“MetGroup”) was incorporated on December 10, 1976, under the laws of Delaware as Metropolitan Reinsurance Company, and commenced business on December 1, 1977. MetGroup was issued a Certificate of Authority by New Jersey on May 17, 1982. The corporate name was changed to Metropolitan Group Property and Casualty Insurance Company, effective April 3, 1992. MetGroup redomesticated from Delaware to Rhode Island, effective February 10, 1995.

All outstanding capital stock is owned by Metropolitan Property and Casualty Insurance Company, a wholly owned subsidiary of MetLife, Ins.

The Company is a direct writer that uses sponsored automobile programs with employer groups, major corporations and associations to obtain membership/customers/employee lists to generate individually underwritten personal lines basic and standard automobile policies in New Jersey.

Metropolitan Direct Property and Casualty Insurance Company (“MetDirect”) was incorporated on May 24, 1949, under the laws of Georgia as The Great Southern Insurance Company, and commenced business on October 4, 1949. The Company was issued a Certificate of Authority by New Jersey on April 30, 1982. On February 13, 1998, the corporate name, after two prior name changes, was changed to its present name, Metropolitan Direct Property and

Casualty Insurance Company. MetDirect redomesticated from Georgia to Rhode Island, effective February 1, 1993.

All outstanding capital stock is owned by Metropolitan Property and Casualty Insurance Company, a wholly owned subsidiary of MetLife, Ins.

The Company is a direct writer that uses sponsored automobile programs with employer groups, major corporations and associations to obtain membership/customers/employee lists to generate only individually underwritten personal lines standard automobile policies in New Jersey, as opposed to MetGroup which writes both basic and standard policies.

## II. UNDERWRITING REVIEW

### A. INTRODUCTION

The examiners reviewed randomly selected policy files from Metropolitan Direct's NJ database run of 690 new business and 14,851 renewals and from Metropolitan Group's database run of 2,950 new business policies and 13,993 renewal policies that were in-force during the period January 1, 2007 to December 31, 2007. The examiners checked for compliance with specific statutes and regulations, including N.J.S.A. 17:29A-38 (reduction of rates for operators 65 years or older), N.J.A.C. 11:3-35 (automobile insurance underwriting rules), N.J.S.A. 17:29A-46 (uniform application of underwriting rules), N.J.S.A. 17:29A-6 and 15 (rating plans), N.J.A.C. 11:3-15 (coverage selection forms) and N.J.A.C. 11:3-36 (automobile physical damage insurance inspection procedures). These requirements are related to the National Association of Insurance Commissioners Market Conduct Handbook, Chapter VIII Standards: "Conducting Property and Casualty Insurance Examinations."

### B. ERROR RATIOS

The examiners calculated error ratios for each random sample by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately for the review samples as indicated in the chart that follows.

<u>Review Sample</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
<b>Metro Direct:</b>			
<b>New Business</b>	27	27	100%
<b>Renewals</b>	<u>24</u>	<u>24</u>	100%
<b>Sub-total</b>	51	51	100%
<b>Metro Group:</b>			
<b>New Business</b>	26	26	100%
<b>Renewals</b>	<u>27</u>	<u>27</u>	100%
<b>Sub-total</b>	53	53	100%
<b>Total Random Review</b>	<b>104</b>	<b>104</b>	<b>100%</b>

## C. EXAMINERS' FINDINGS

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### 1. **Failure to Include Specific Language in Standard Policy Coverage Selection Form - 104 Files in Error - Improper General Business Practice**

**N.J.A.C. 11:3-15.6(a)** requires insurers to include the text shown in Appendix Exhibit 1 of that regulation, which reads "A SPECIAL POLICY with a very low premium is also available for persons enrolled in Medicaid." However, in reviewing several of the Company's Coverage Selection Forms, the aforementioned sentence is missing. In response to an inquiry, Metropolitan acknowledged that the sentence is missing from its Standard Policy Coverage Selection Form. The Company advised the examiners that it would revise this form.

#### **SEE APPENDIX A1 FOR THE FILES IN ERROR**

### 2. **Failure to Obtain Copy of Signed Coverage Selection Form - 16 Files in Error**

**N.J.A.C. 11:3-15.7** mandates that insurers obtain a signed Coverage Selection Form prior to providing coverage or implementing policy changes except when coverage for comprehensive or collision is effected by a required inspection. In addition, **N.J.A.C. 11:3-35.3(a)** requires insurers to file underwriting rules with NJDOBI for approval. Specifically, the Company's New Jersey New and Renewal Auto Underwriting Guidelines require "A completed, signed coverage selection form." The examiners tested for compliance with this guideline and the above-referenced regulation by requesting 20 copies of Metropolitan's coverage selection form. In response to an inquiry, Metropolitan stated that it was "...unable to retrieve ... NJ Coverage Selection forms from record retention..." on these 16 policies. Failure to obtain copies of these forms is contrary to this regulation and the Company's filed underwriting rules.

#### **SEE APPENDIX A2 FOR THE FILES IN ERROR**

### 3. **Failure to Suspend Physical Damage Coverage due to Clerical Error - 2 Files in Error**

**N.J.A.C. 11:3-36.3(a)** requires insurers to conduct a vehicle inspection prior to providing physical damage coverage. On policy numbers 2191545490 and 4920028160, both single car policies, the Company mistakenly assigned Inspection Code 2 to both vehicles. This code designates a new vehicle as qualifying for an inspection waiver upon presentation of a new vehicle bill of sale. However, in response to an examiner's inquiry, Metropolitan indicated that



the vehicles were actually three years old at policy inception, thus requiring a physical damage inspection. Nevertheless, the Company continued to provide coverage for six months and 8 days on both vehicles, contrary to the aforementioned regulation.

**THESE FILES IN ERROR ARE ALSO LISTED IN APPENDIX A3**

**4. Improperly Assigning an Inexperienced Operator to more than One Vehicle Resulting in a Premium Overcharge - 1 File in Error**

**N.J.S.A. 17:29A-6** and **15** requires an insurer to file its rating system with DOBI for approval and to observe those rates. On policy number 199116367, Metropolitan incorrectly assigned an inexperienced operator to two of the three insured vehicles. In response to an examiner's inquiry, the Company agreed with this finding, stating that a keying error resulted in a premium overcharge of \$233.00. Metropolitan indicated that it would correct the error back to the day the inexperienced operator was originally added to the policy. This premium overcharge is contrary to the aforementioned statutes.

**THIS FILE IN ERROR IS ALSO LISTED IN APPENDIX A4**

**D. OTHER FINDINGS**

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**1. Metropolitan's Quoting Comparison Timeline - 2003 Report and 2008 Report**

In the Department's 2003 market conduct examination report, Metropolitan's quote and application processing methodology resulted in an average minimum of 21 business days to issue a policy to an applicant. In the current market conduct exam, the examiners found that the Company's quoting system is improved to the extent that an applicant will now receive a policy within an average of 10 working days upon receipt of a quote.

The examiners do note from inquiry responses, however, that the Company does not maintain records of quotes that are rejected due to the insured's failure or inability to provide a prior declarations page. Notably, **N.J.A.C. 11:3-44.3(a)** specifies minimum information necessary to determine eligibility. This regulation does not include prior declarations. Where such documents are required and an applicant is otherwise eligible and completes an application in compliance with **N.J.A.C. 11:3-44.3(a)**, the Company may be in violation of **N.J.A.C. 11:3-44.3(b)**, which requires that an insurer provide coverage to an eligible person who submits a completed written application. This is in further

violation of **N.J.S.A. 17:33B-15** and **N.J.S.A. 17:29A-46**, both of which prohibit an insurer from refusing to insure an eligible person.

# III. TERMINATIONS

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## A. INTRODUCTION

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During the review period January 1, 2007 to December 31, 2007, Metropolitan cancelled 21 automobile policies within the first 60 days, cancelled 3,009 policies due to insured request and cancelled 3,052 policies due to non payment of premium. Errors, described by type, appear in the chart that follows in the next subsection. The examiners checked for compliance with applicable statutes and regulations and NAIC standards related to this area. These included N.J.S.A. 17:33B-15 and 16 (“Take All Comers” laws), N.J.A.C. 11:3-34 and N.J.A.C. 11:3-40 (eligible persons), N.J.A.C. 11:3-44 (rules for effecting auto insurance coverage), N.J.A.C. 11:3-33 (appeals from denial of insurance) and N.J.S.A. 17:29C-7 and 10 (automobile insurance cancellations).

## B. ERROR RATIOS

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<u>Review Sample</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
<b>60 Day Cancellations</b>	21	8	38%
<b>Totals</b>	<b>21</b>	<b>8</b>	<b>38%</b>

## C. EXAMINERS’ FINDINGS

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### 1. Failure to Send 15 Day Written Notice Informing Applicant of Deficiencies in New Business Applications - 8 Files in Error - Improper General Business Practice

N.J.A.C. 11:3-44.3(d) states that, “If, during the first 60 days that a new policy is in effect, the insurer ascertains that the applicant failed to disclose the necessary information required on the application to determine whether the applicant or any regular operator is an eligible person, the insurer shall issue a written notice to the applicant which clearly and specifically identifies the deficiencies and the information necessary, and allows the applicant 15 days to provide the requested information.” On eight policies where additional underwriting information was needed in order for Metropolitan to complete the underwriting process, the Company failed to send the required notice that requests the specific additional information that will satisfy the deficiencies. In

response to an examiners' inquiry, the company stated that "...the 15 day notice required by N.J.A.C. 11:3-44.3(c) which is supposed to be sent to the applicant to inform the applicant of the deficiencies needed to be resolved or else the application will be declined is not sent out." Failure to send the 15-day notice is contrary to the aforementioned regulation and is cited as an improper general business practice because the Company never sent this notice. The Company neither agreed nor disagreed with the examiners' comments.

**SEE APPENDIX B1 FOR A LIST OF FILES IN ERROR**

# IV. CLAIMS

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## A. INTRODUCTION

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This review covers paid and denied Personal Injury Protection (PIP) claims submitted under private passenger automobile insurance. Any such New Jersey claim closed during January 1, 2007 to December 31, 2007 was subject to review. Metropolitan Direct and Metropolitan Group closed 715 PIP claims and from this total, the examiners randomly selected and reviewed 94 paid and denied claim payments where company databases indicated that settlement occurred beyond 60 days. The purpose of this review was to confirm if delayed settlements were or were not warranted.

In reviewing each claim, the examiners checked for compliance with all applicable statutes and regulations that govern timeliness and notice requirements in settling PIP claims. The examiners conducted specific reviews placing particular emphasis on N.J.S.A. 17:29B-4(9) and N.J.A.C. 11:2-17 (Unfair Claims and Settlement Practices), and N.J.S.A. 39:6A-5 (Personal Injury Protection Claims). These requirements relate to the NAIC Market Conduct Standards of Chapter VI - Property and Casualty Insurance Examinations.

## B. ERROR RATIOS

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The examiners calculated the error ratios by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately based on the review samples as indicated in the following charts. The PIP review consisted of one randomly selected bill from each file. The chart below itemizes all randomly selected paid and denied claims reviewed, along with total files in error and error ratio.

### PIP Random Review

Type of Claim	Files Reviewed	Files in Error	Error Ratio
<b><u>Metro Direct</u></b>			
Paid	12	4	33%
Denied	<u>20</u>	<u>3</u>	15%
Sub Total	<b>32</b>	<b>7</b>	<b>22%</b>
<b><u>Metro Group</u></b>			
Paid	34	14	41%
Denied	<u>28</u>	<u>1</u>	4%

<b>Sub Total</b>	<b>62</b>	<b>15</b>	<b>24%</b>
<b>Grand Totals</b>	<b>94</b>	<b>22</b>	<b>23%</b>

## C. PERSONAL INJURY PROTECTION CLAIMS

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### 1. Failure to Settle PIP Claims Timely - 20 Files in Error (19 Paid, 1 Denied) - Improper General Business Practice

N.J.S.A. 39:6A-5(g) states that a claim "shall be overdue if not paid within 60 days after the insurer is furnished written notice of the fact of a covered loss..." N.J.A.C. 11:2-17.7(b) states that, "The maximum period for all personal injury protection (PIP) claims shall be 60 calendar days after the insurer is furnished written notice of the fact of a covered loss...; provided however that an insurer may secure a 45-day extension in accordance with N.J.S.A. 39:6A-5." Where such an extension is requested, the maximum settlement period may not exceed 105 days.

The examiners reviewed 46 paid and 48 denied claims randomly selected from the company dataset where the claim payment exceeded the 60 day calendar time frame and found that, pursuant to N.J.S.A. 39:6A-5, the Company failed to secure the 45 day extension for additional time to investigate on 20 out of 94 claims reviewed; the claim file and claim activity logs did not provide any indication that this notice was sent on these 20 claims. Since the Company did not issue the 45 day extension letter, settlement was due no later than 60 days after notice. Delays for both paid and denied claims ranged from a low of 1 day beyond 60 to a high of 202 days beyond 60 to settle the claim. In response to the examiners' inquiry, the Company stated that its Explanation of Benefits (EOB) serves as the delay notice. However, the examiners noted that the EOB is sent at the time of payment or denial. The EOB also does not specify the reason for delay and is not specifically scheduled for issuance within the first 60 days from notice of loss.

### SEE APPENDIX C1 FOR A LIST OF FILES IN ERROR

### 2. Failure to Pay Interest on Delayed PIP Payments - 18 Files in Error - Improper General Business Practice

N.J.S.A. 39:6A-5(h) requires the payment of interest on all overdue benefits. In the 19 paid PIP claims cited above, the Company failed to pay interest on 18 claim payments, or 95% of all claims in which interest was required. Accordingly, the examiners cited this error as an improper general business practice. In response to the examiners' inquiry, the Company neither agreed nor disagreed with these findings; however, the Company did provide a work-in

progress, partial list of interest-remediated claims that were processed during the post-field examination period. See recommendations section.

**SEE APPENDIX C2 FOR A LIST OF FILES IN ERROR**

**3. Failure to Retain Denial Letter in the Claim File - 2 Files in Error**

**N.J.A.C. 11:2-17.8(b)** requires that any claim denial be confirmed in writing and maintained in the appropriate claim file. The Company did not provide a copy of the denial letter for Metropolitan Direct Claim Numbers NDB458890 and NDB534940. While the Company acknowledged in response to an inquiry that the denial letter on file NDB534940 was in fact not maintained, Metropolitan reasserted its position that it maintained a denial letter on file number NDB458890. However, the Company did not produce the actual denial letter that was absent from the file.

**SEE APPENDIX C3 FOR THE FILES IN ERROR**

**D. CLAIM AND CLAIM EVENT TIME STUDY, EXCEPTION RATIOS**

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Based on databases provided for our review, the Company processed a total of 8,346 claim payments (6,728 were paid and 1,618 were denied) during the review period January 1, 2007 to December 31, 2007. The examiners define a claim as a unique claim number identifier for a specific loss that occurred on a specific date upon which multiple, claim-related paid or denied events are possible (example, one claim number could result in multiple provider bills or insured reimbursements that the Company either paid or denied). The examiners queried these databases and found the claim delay and interest exceptions outlined below.

**1. Delayed PIP Settlements (Claim Level)**

<u>Claim Type</u>	<u>Overall Population</u>	<u>No Delay Exceptions</u>	<u>Exception Ratio</u>
Paid Claims	6,728	492	7%
Denied Claims	<u>1,618</u>	<u>134</u>	8%
Totals	8,346	626	8%

As the above chart indicates, the Company delayed settlement on 7% of all paid claims and on 8% of all denied claims, for an overall exception ratio of 8%.

**2. Failure to Pay Interest on Delayed PIP Payments (Claim Level)**

<u>Claim Type</u>	<u>Overall Delayed Pop</u>	<u>No Delay Exceptions</u>	<u>Exception Ratio</u>
Paid Claims	492	408	83%

As the above chart indicates, the Company failed to pay interest on 408 delayed PIP settlements out of 492 claims in which interest was due, for an exception ratio of 83%. Based on this exception ratio, this error is indicative of an improper general business practice.



## V. RECOMMENDATIONS

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Metropolitan Group and Metropolitan Direct (collectively, the Company) should inform all responsible personnel and third party entities who handle the files and records cited as errors in this report of the examiners' recommendations and remedial measures that follow in the report sections indicated. The examiners also recommend that the Company establish procedures to monitor compliance with these measures.

Throughout this report, the examiners cite and/or discuss all errors found. If the report cites a single error, the examiners often include a "reminder" recommendation because if a single error is found, more errors may have occurred.

Various non-compliant practices were identified in this report, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to New Jersey law and regulations. When applicable, corrective action for other jurisdictions should be addressed.

The examiners acknowledge that during the examination the Company agreed and had already complied with, either in whole or in part, some of the recommendations stated in this report. For the purpose of obtaining proof of compliance and for the Company to provide its personnel with a document they can use for future reference, the examiners have listed all recommendations below.

### A. GENERAL INSTRUCTIONS

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All items requested for the Commissioner and copies of all written instructions, procedures, recommended forms, etc., should be sent to the Commissioner, c/o Clifton J. Day, Manager of the Market Conduct Examinations and Anti-fraud Compliance Unit, Mary Roebling Building, 20 West State Street, PO Box 329, Trenton, N.J. 08625, within thirty (30) days of the date of the adopted report.

On all policies to be reopened for additional claim payments, the Company should provide the insured with a cover letter that contains the following first paragraph (variable language is included in parentheses):

"During a review of your claim by Market Conduct examiners of the New Jersey Department of Banking and Insurance, they found that we (failed to pay

interest on your Personal Injury Protection claim). Enclosed is our payment in the amount of (insert amount) to correct our error."

On all policies to be reopened to offer coverage, the Company should provide the insured with a cover letter that contains the following first paragraph (variable language is included in parentheses):

"During a review of your policy by Market Conduct examiners of the New Jersey Department of Banking and Insurance, they found that we failed to provide you with 15 days to correct application deficiencies that resulted in rejection of your application. Enclosed is our offer to reconsider your application. Please either telephone us at () or write to us at () in order to complete another application. "

## **B. UNDERWRITING**

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1. The Company should advise personnel in writing that **N.J.A.C. 11:3-15.6(a)** requires the standard policy coverage selection form to include the following text: "A SPECIAL POLICY with a very low premium is also available for persons enrolled in Medicaid." Metropolitan should forward a copy of the revised form to the Commissioner.
2. The Company should advise applicable personnel in writing that **N.J.A.C. 11:3-15.7** and **N.J.A.C.11:3-35.3(a)** mandate that insurers obtain a "signed" Coverage Selection Form prior to providing coverage or implementing policy changes.
3. Metropolitan must issue written instructions to all appropriate personnel reminding them that, pursuant to **N.J.A.C.11:3-36.3(a)**, insurers are required to conduct a vehicle inspection prior to providing physical damage coverage on all vehicles that require an inspection. The Company should monitor data entry procedures more closely for quality control purposes.
4. The Company should advise applicable personnel in writing that **N.J.S.A. 17:29A-6** and **15** require an insurer to follow its rating system as filed and approved by NJDOBI. Particularly, Metropolitan should ensure that, where applicable, an operator is not erroneously assigned to two vehicles.
5. In order to assure and demonstrate compliance with **N.J.A.C. 11:3-44.3(a)**, **N.J.A.C 11:3-44.3(b)**, **N.J.S.A. 17:33B-15** and **N.J.S.A. 17:29A-46**, the Company must establish procedures to identify and track all applicants whose applications are rejected due to the insured's inability or failure to submit a prior carrier declarations page. Additionally, the Company should initiate procedures to assure that eligible persons are not denied coverage merely because they did not provide a prior declaration page as part of the application process.

## C. TERMINATIONS

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6. The Company must issue written instructions to all applicable personnel stating that, pursuant to **N.J.A.C. 11:3-44.3(d)**, a written notice must be sent to the applicant which clearly and specifically identifies the deficiencies and the information necessary for a complete application and which allows the applicant 15 days to provide the requested information for any application not meeting the minimum requirements of **N.J.A.C. 11:3-44.3(a)**. In the event of termination, the Company should reopen the eight files cited in Section III.C.1 of this report to determine if the applicants were eligible. The Company should then offer coverage to these applicants. See General Instructions.

## D. CLAIMS

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7. Metropolitan Direct and Metropolitan Group must issue written instructions to all appropriate personnel stating that **N.J.S.A. 39:6A-5** and **N.J.A.C. 11:2-17.7(a)** require all PIP claims to be settled (paid, denied, compromised) within 60 days unless an extension of 45 days is requested in writing and within this 60 day period, and for a total period not to exceed 105 days from the notice of loss. These instructions must also state that, in the event of delay, interest is required pursuant to **N.J.S.A. 39:6A-5h**.
8. The Company must reopen and review all PIP claims paid from the beginning of the review period to the present to determine if interest is owed to the provider/claimant. For all payments made beyond the required time period, interest must be calculated and paid for the period of delay as required by **N.J.S.A. 39:6A-5h**. A computer listing of all files reopened, including amount of interest paid, amount of paid bill, date of payment, date payable and date paid, should be generated and provided to the Commissioner to verify compliance with this recommendation. No interest payments of less than \$1.00 need to be issued; however, all amounts, even if less than \$1.00, are to be included on the computer listing. Metropolitan Direct and Metropolitan Group should also provide a summary ledger documenting all interest payments made on the claims cited in Appendix C.2 of this report. See General instructions for appropriate cover letter.
9. Metropolitan must issue written instructions to all appropriate personnel stating that **N.J.A.C. 11:2-17.8(b)** requires that any claim denial must be in writing and maintained in the appropriate claim file.

# APPENDIX A - UNDERWRITING

## 1. Failure to Include Specific Language in Coverage Selection Form – 104 Files in Error, Improper General Business Practice

MetroDirect New Policy Number	Metro Direct Renew Policy Number	MetroGroup New Policy Number	Metro Group Renew Policy Number
0015931520	0033084020	0201542470	0012917452
0195556640	0111869240	0484157570	0057684440
0565543270	0274376251	0771042441	0136323770
0740948950	0357704630-2	1141130251	0221972930
1050834110	0430213500	1335031881	0364272551
1215165520	0965331250-0	1744917090	0873452350
1302842360	0981627770	2063707390	0996156631
1513439450	1028527070	2090537670	1060655940
1581202240	1068994440	2195721070	1097911151
1741212570	1073070800	2353850220	1100813011
1811440260	1144089810	2465826200	1154205020-1
1824006350	1158740001	2995532320	1349631171
1860726640	1216012020	3185414650	1358305311
2061257220	1259135530	3251905090	1436785301
2191545490	1291140180	3800716430	1477379101
2720411490	1321794780	4411240690	1701270620
2744636780	1410846910	4501842420	1708889322
2914818260	1412305251	4881138510	1991163672
3014603370	1414986600	5130812750	2775888141
3651808880	1439115390	5313551540	3694819001
4111313560	1474705880	5324528960	3761223781
4231856020	1477039290	5394544610	4489007122
4582241050	1510613830	5465830650	4782720560-1
4920028160	1586632520	5645647850	4982627011
5142709660		5852616480	5116784346
5165536591		5854749550	5133024951
5320844540			5840349221

**2. Failure to Obtain Copy of Signed Coverage Selection Form - 16 Files in Error**

<b>Metro Direct</b>	
<b>Policy Number</b>	<b>New/Renewal</b>
2191545490	New
3014603370	New
1811440260	New
1741212570	New
0015931520	New
1510613830	Renewal

<b>Metro Group</b>	
<b>Policy Number</b>	<b>New/Renewal</b>
3185414650	New
1335031881	New
1744917090	New
5854749550	New
5465830650	New
5133024951	Renewal
0012917452	Renewal
4982627011	Renewal
1100813011	Renewal
1708889322	Renewal

**3. Failure to Suspend Physical Damage Coverage due to Clerical Error - 2 Files in Error**

**New Policy Number**

2191545490	Direct
4920028160	Direct

**4. Improperly Assigning an Inexperienced Operator to More Than One Vehicle Resulting in a Premium Overcharge - 1 File in Error**

**Renew Policy Number**

1991163672	Group
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# APPENDIX B – TERMINATIONS

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1. **Failure to Send 15 Day Written Notice Informing Applicant of Deficiencies in the Application – 8 Errors (Improper General Business Practice)**

**Policy Number**

035224695

297405239

336364047

537494327

758531109

786013905

> 905452977

916314817

> = Metro Direct, otherwise Metro Group

# APPENDIX C – CLAIMS

## 1. Failure to Settle PIP Claims Timely – 20 Files in Error – Improper General Business Practice

Claim Number	Bill Receipt Date	Amount of Bill	Date Settled	Amount Paid or Denied	Number of Days to Settle > 60
NDB447350	1/19/2007	\$1,471.00	5/10/2007	\$1,155.34	51
> NDB447930	10/3/2007	\$6,700.00	4/10/2008	\$6,700.00	130
> NDB447930*	1/16/2007	\$82.00	9/27/2007	\$82.00	194
NDB448190	8/9/2007	\$291.00	10/9/2007	\$60.68	1
NDB448190	8/7/2007	\$203.00	10/9/2007	\$90.00	3
NDB448210	3/15/2007	\$125.00	12/14/2007	\$39.99	202d
NDB448210	3/26/2007	\$90.00	12/14/2007	\$90.00	203
NDB461110	4/27/2007	\$125.00	8/27/2007	\$30.00	62
NDB472780	3/27/2007	\$5,065.00	8/21/2007	\$4,963.00	87
> NDB473050	5/1/2007	\$1,229.00	10/1/2007	\$480.00	93
NDB476430	5/15/07	\$1200.00	10/4/07	\$743.00	82
NDB478700	7/9/2007	\$100.00	10/31/2007	\$39.99	54
NDB505190	11/5/2007	\$4,920.00	1/14/2008	\$1,048.59	10
NDB524610	9/29/2007	\$125.00	1/14/2008	\$39.99	47
NDB525930	7/28/2007	\$1,058.00	9/27/2007	\$504.00	1
> NDB533090	11/19/2007	\$675.00	1/29/2008	\$450.00	11
NDB535840	6/25/2007	\$918.00	10/17/2007	\$402.08	36b
NDB558390	7/30/2007	\$400.00	2/26/2008	\$103.19	151
> NDB583370	11/24/2007	\$460.00	2/11/2008	\$97.28	19
NDB594250*	10/5/2007	\$1,125.00	12/13/2007	\$1,125.00	9

\* = Denied PIP payment

> = Metro Direct, otherwise Metro Group

**b = from initial 7/10/07 denial pending receipt of medical records**  
**d = from initial 3/28/07 denial pending receipt of medical records, rec'd 3/27/07**

**2. Failure to Pay Interest on Delayed PIP Payments – 18 Files in Error - Improper General Business Practice**

Claim Number	Bill Receipt Date	Amount of Bill	Date Settled	Amount Paid or Denied	Number of Days to Settle > 60
NDB447350	1/19/2007	\$1,471.00	5/10/2007	\$1,155.34	51
> NDB447930	10/3/2007	\$6,700.00	4/10/2008	\$6,700.00	130
NDB448190	8/9/2007	\$291.00	10/9/2007	\$60.68	1
NDB448190	8/7/2007	\$203.00	10/9/2007	\$90.00	3
NDB448210 d	3/15/2007	\$125.00	12/14/2007	\$39.99	202
NDB448210	3/26/2007	\$90.00	12/14/2007	\$90.00	203
NDB461110	4/27/2007	\$125.00	8/27/2007	\$30.00	62
NDB472780	3/27/2007	\$5,065.00	8/21/2007	\$4,963.00	87
> NDB473050	5/1/2007	\$1,229.00	10/1/2007	\$480.00	93
NDB476430	5/15/07	\$1200.00	10/4/07	\$743.00	82
NDB478700	7/9/2007	\$100.00	10/31/2007	\$39.99	54
NDB505190	11/5/2007	\$4,920.00	1/14/2008	\$1,048.59	10
NDB524610	9/29/2007	\$125.00	1/14/2008	\$39.99	47
NDB525930	7/28/2007	\$1,058.00	9/27/2007	\$504.00	1
> NDB533090	11/19/2007	\$675.00	1/29/2008	\$450.00	11
NDB535840 b	6/25/2007	\$918.00	10/17/2007	\$402.08	54
NDB558390	7/30/2007	\$400.00	2/26/2008	\$103.19	151
> NDB583370	11/24/2007	\$460.00	2/11/2008	\$97.28	19

> = Metro Direct, otherwise Metro Group

**b = from initial 7/10/07 denial pending receipt of medical records**  
**d = from initial 3/28/07 denial pending receipt of medical records, rec'd 3/27/07**

**3. Failure to Retain Denial Letter in the Claim File –2 Files in Error**

Claim Number
> NDB458890
> NDB534940

> = Metro Direct, otherwise Metro Group



# V. VERIFICATION PAGE

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I, Bob Greenfield, am the Examiner-in-Charge of the Market Conduct Examination of Metropolitan Direct and Group, Property and Casualty Insurance Companies conducted by examiners of the New Jersey Department of Banking and Insurance. This verification is based on my personal knowledge as acquired in my official capacity.

The findings, conclusions and recommendations contained in the foregoing report represent, to the best of my knowledge, a full and true statement of the Market Conduct examination of Metropolitan Property and Casualty Insurance Companies as of July 3, 2008.

I certify that the foregoing statements are true. I am aware that if any of the foregoing statements made by me is willfully false, I am subject to punishment.

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Date:

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Bob Greenfield  
Examiner-In-Charge  
New Jersey Department  
of Banking and Insurance