

No. 3855

**OFFICIAL ORDER
of the
TEXAS COMMISSIONER OF INSURANCE**

Date: MAR 10 2015

Subjects Considered:

THE TRAVELERS INDEMNITY COMPANY OF CONNECTICUT
THE TRAVELERS INDEMNITY COMPANY
FARMINGTON CASUALTY COMPANY
THE CHARTER OAK FIRE INSURANCE COMPANY
THE STANDARD FIRE INSURANCE COMPANY
THE TRAVELERS INDEMNITY COMPANY OF AMERICA
TRAVELERS CASUALTY AND SURETY COMPANY
TRAVELERS PROPERTY CASUALTY COMPANY OF AMERICA
UNITED STATES FIDELITY AND GUARANTY COMPANY
One Tower Square
Hartford, CT 06183-6014

FIDELITY AND GUARANTY INSURANCE COMPANY
385 Washington Street
Saint Paul, MN 55102-1396

CONSENT ORDER
TDI ENFORCEMENT FILE NOS.
6035, 6037, 6371, 6379, 6380, 6381, 6383, 6384, 6386, and 6372

General remarks and official action taken:

The commissioner of insurance considers whether disciplinary action should be taken against the 10 companies identified in finding of fact number one (collectively, "Travelers").

WAIVER

Travelers acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Travelers waives all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

FINDINGS OF FACT

1. The following companies are fire and casualty companies each holding a certificate of authority to transact business in Texas, and each are bound by this consent order: The Travelers Indemnity Company of Connecticut, The Travelers Indemnity Company,

- Farmington Casualty Company, The Charter Oak Fire Insurance Company, The Standard Fire Insurance Company, The Travelers Indemnity Company of America, Travelers Casualty and Surety Company, Travelers Property Casualty Company of America, United States Fidelity and Guaranty Company, and Fidelity and Guaranty Insurance Company.
2. The Travelers companies write workers' compensation and employers' liability insurance in Texas.
 3. On December 20, 2002, the department issued Commissioner's Bulletin No. B-0074-02 informing all property and casualty insurers of the enactment of the Terrorism Risk Insurance Act (TRIA)¹ on November 26, 2002. The bulletin included a general explanation of TRIA's provisions and requirements. It also explained the preservation of the department's jurisdiction and regulatory authority over rates and forms except for the period from the date of enactment through December 31, 2003, during which period rates and forms for certain terrorism coverage were not subject to prior approval or a waiting period.
 4. Bulletin No. B-0074-02 specifically informed insurers that they could implement and file prospective rate changes for coverage of insured losses related to acts of terrorism as defined in TRIA. Further, the bulletin advised that the notice provisions in TRIA requiring disclosure of the terrorism premium charged apply to workers' compensation policies, and that workers' compensation insurers are required to separately state the amount of the estimated portion of the premium being charged a policyholder for acts of terrorism, as defined in TRIA.
 5. Effective May 10, 2003, the department implemented rules under the *Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance* (the "*Basic Manual*") regarding the methodology for calculating terrorism premium and calculating total estimated policy cost in workers' compensation and employers' liability policies.
 6. Under Rule VI-J of the *Basic Manual*, the premium for TRIA is based on the policy's total payroll as defined in Rule V-B. To determine terrorism premium, the total Texas payroll for the risk is divided by \$100 and then multiplied by the terrorism rate filed with the department by the company. This calculation is expressed as: (payroll/100 x terrorism rate = premium). The terrorism premium is not subject to any modifications, including, but not limited to, experience rating, modeled rating, schedule rating, retrospective rating, premium discount, or premium incentive for small employers. Further, premium developed under TRIA is not included in standard premium.

¹ Terrorism Risk Insurance Act (TRIA) of 2002, Pub. L. No. 107-297, § 103, 116 Stat. 2322, 2327 (2002). TRIA has been amended, extended, and reauthorized. See Terrorism Risk Insurance Extension Act of 2005, Pub. L. No. 109-144, § 1, 119 Stat. 2660 (2005); Terrorism Risk Insurance Program Reauthorization Act of 2007, Pub. L. No. 110-160, § 1(a), 121 Stat. 1839 (2007). On January 12, 2015, H.R. 26 became law and among other things, extended TRIA beginning January 1, 2015, through December 31, 2020. See Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA), Pub. L. No. 114-1, §§ 101-112, 129 Stat. 3 (2015).

7. Under Rule III-E of the *Basic Manual*, terrorism premium calculated under Rule VI-J is added to the estimated standard premium to determine total estimated policy cost.
8. On June 26, 2003, under department filing link number 69184, five² of the Travelers companies filed a terrorism rate of \$0.024 per \$100 of remuneration, applicable to all new and renewal policies effective on or after September 1, 2003.
9. On July 10, 2003, under department filing link number 69407, five³ of the Travelers companies filed a National Council on Compensation Insurance, Inc. (NCCI) Terrorism Risk Insurance Act Endorsement, form WC 00 04 20 (07), to be used with policies effective on or after September 1, 2003. This form made disclosures regarding TRIA and reflected disclosure of a terrorism rate schedule applying a rate per \$100 of remuneration.
10. Due to the timing of the filing, on July 16, 2003, the department informed the five⁴ Travelers companies that the filing of form WC 00 04 20 (07) was not required, as indicated in Bulletin No. B-0074-02, and that the department considered the filing for informational purposes only.
11. After December 31, 2003, when forms pertaining to TRIA were subject to department approval, Travelers used three unfiled and unapproved TRIA Disclosure endorsement forms WC 99 06 G7 (A), WC 99 06 G8 (A), and WC 99 06 G9 (A) with negotiated deductible and retrospectively rated workers' compensation policies.
12. Thereafter, Travelers used additional, unfiled and unapproved versions of those TRIA Disclosure endorsement forms, including versions (B), (C), (D), and (E). Versions (D) and (E) were used after the reauthorization of TRIA on December 26, 2007.
13. All versions of endorsement forms WC 99 06 G7, WC 99 06 G8, and WC 99 06 G9, show unfiled and unapproved terrorism rates of 4%, 1.5%, or “___%” of total workers' compensation premium. Travelers calculated the terrorism premium using unfiled and unapproved terrorism rates while using these endorsement forms.
14. Contrary to the *Basic Manual*, Travelers calculated terrorism premium on negotiated deductible and retrospectively rated policies as a percentage of the total workers' compensation premium as terrorism premium, specifically either 4%, 1.5%, or “___%” which represents a varying percentage between zero and 100 percent.
15. After TRIA's reauthorization on December 26, 2007, the NCCI issued a state information bulletin on January 28, 2008, to Texas workers' compensation carriers regarding the reauthorization and circulated two suggested Texas endorsements. If carriers chose to

² The Travelers Indemnity Company of Connecticut, The Travelers Indemnity Company, The Charter Oak Fire Insurance Company, The Travelers Indemnity Company of America, and Travelers Casualty and Surety Company. The filing also applied to five other Travelers affiliated companies which are not subject to this order.

³ *Id.*

⁴ *Id.*

use the suggested endorsements, the bulletin advised carriers to add an endorsement number and file it for approval with the department.

16. On March 11, 2008, the department issued Commissioner's Bulletin No. B-0011-08 which informed all property and casualty insurers that TRIA had been reauthorized, and which explained the resultant changes. Insurers subject to policy form and rate regulation were notified they must submit to the department any policy language and rates that they intended to use in Texas. The reauthorization redefined acts of terrorism necessitating that carriers review their existing filings for compliance. Workers' compensation insurers were also informed that they must continue to separately state the amount of the estimated portion of the premium being charged a policyholder for acts of terrorism.
17. At that time, Travelers knew or should have known it needed to review all of its forms, rates, and filings for compliance with Texas law. Further, at that time, Travelers knew or should have known that versions (A), (B), (C), and (D) of endorsement forms WC 99 06 G7, WC 99 06 G8, and WC 99 06 G9, and the use of the rates stated therein were unapproved and noncompliant, yet Travelers continued to use version (D) of the endorsement forms and the unfiled rates.
18. On October 10, 2008, under department filing link number 98842, eight⁵ Travelers companies filed form WC 00 04 22 (A), to be used with new policies effective on or after October 9, 2008. In spite of the filing, this form was not used by Travelers with negotiated deductible or retrospectively rated workers' compensation policies.
19. On April 1, 2011, under department filing link number 113427, all 10 Travelers companies made a terrorism rate filing⁶ reducing its previous rate from \$0.024 per \$100 of payroll to \$0.02 per \$100 of payroll applicable to all new and renewal policies effective on or after June 1, 2011.
20. Travelers did not use either filed terrorism rate of \$0.024 or \$0.02 per \$100 of payroll with negotiated deductible and retrospectively rated workers' compensation policies. Travelers only used the filed terrorism rates with its guaranteed cost policies.
21. In 2012, the Texas Comptroller of Public Accounts (the "comptroller") initiated a premium and maintenance tax audit of two⁷ Travelers companies for tax years 2008 – 2011, and later informed the department that during that audit period, the two companies were not calculating terrorism premium in accordance with Rule III-E of the *Basic Manual*.

⁵ The Travelers Indemnity Company of Connecticut, The Travelers Indemnity Company, Farmington Casualty Company, The Charter Oak Fire Insurance Company, The Standard Fire Insurance Company, The Travelers Indemnity Company of America, Travelers Casualty and Surety Company, and Travelers Property Casualty Company of America. The filing also applied to three other Travelers affiliated companies which are not subject to this order.

⁶ Filing link number 113427 also applied to six other Travelers affiliated companies.

⁷ The Travelers Indemnity Company and The Travelers Indemnity Company of Connecticut.

22. Travelers represents that the comptroller's audit found that those two⁸ Travelers companies owed additional premium tax and maintenance fees because those two companies underreported premium tax receipts to the comptroller due to their incorrect methodology of calculating terrorism premium and use of an unfiled terrorism rate. Travelers represents it paid additional premium tax and maintenance fees in the amount of \$223,122.31 to the comptroller for tax years 2008 – 2011.
23. The department's investigation revealed that the two⁹ companies were also using three unfiled forms, specifically version (E) of endorsement forms WC 99 06 G7, WC 99 06 G8, and WC 99 06 G9, and that the allegations extended to all 10 Travelers companies.
24. In December 2013, the department informed Travelers it was aware that Travelers was using unfiled rates and three unfiled forms, specifically endorsement forms WC 99 06 G7 (E), WC 99 06 G8 (E), and WC 99 06 G9 (E). Travelers continued to use these three unfiled and unapproved forms, and continued to calculate terrorism premium using unfiled and unapproved terrorism rates.
25. On March 21, 2014, the commissioner adopted the *NCCI Basic Manual* with Texas exceptions, and the national and Texas-specific endorsements and forms in the *NCCI Forms Manual*. The *NCCI Basic Manual* with Texas exceptions, and the national and Texas-specific endorsements and forms in the *NCCI Forms Manual*, may be used for Texas workers' compensation policies with an effective date on or after 12:01 a.m., June 1, 2014; but must be used for Texas workers' compensation policies with an effective date on or after 12:01 a.m., October 1, 2014.
26. Pursuant to Rule 3-A-24-c of the *NCCI Basic Manual* with Texas exceptions, terrorism premium is calculated on the basis of total payroll according to Rule 2. A risk's total payroll in each state is divided by units of \$100 and multiplied by the appropriate value found in the state pages. The calculation is expressed as: (payroll/100 x terrorism value = premium). This premium is applied after standard premium and is not subject to any other modifications, including, but not limited to, premium discount, experience rating, modeled rating, schedule rating, retrospective rating, or premium incentive for small employers. Further, premium developed under TRIA is not included in standard premium. Unless an "If Any" policy develops premium during the policy term or at audit, policies issued on an "If Any" basis will not be charged this premium. Per capita charges are not subject to premium under TRIA.
27. Under the Texas Workers Compensation Premium Algorithm effective June 1, 2014, terrorism premium calculated under Rule 3-A-24-c is added to total standard premium to determine estimated annual premium.
28. Beginning April 1, 2014, Travelers agreed to cease using version (E) of endorsement forms WC 99 06 G7, WC 99 06 G8, and WC 99 06 G9, on a prospective basis with new

⁸ *Id.*

⁹ The Travelers Indemnity Company and The Travelers Indemnity Company of Connecticut.

and renewal business. Travelers manually and retroactively endorsed 897 policies which were in force on April 1, 2014, with approved form WC 00 04 22 (A). Travelers completed its mailing of the approved endorsements to the policyholders on June 12, 2014.

29. On November 5, 2014, Travelers informed the department of the existence and use of versions (A), (B), (C), and (D), of the unfiled and unapproved endorsement forms WC 99 06 G7, WC 99 06 G8, and WC 99 06 G9, and that the five versions of the forms were used during the following time periods:
- a. from January 1, 2004, through January 14, 2005, six¹⁰ Travelers companies used version (A);
 - b. from January 15, 2005, through February 28, 2006, six¹¹ Travelers companies used version (B);
 - c. from March 1, 2006, through December 25, 2007, six¹² Travelers companies used version (C);
 - d. from December 26, 2007, through November 16, 2008, six¹³ Travelers companies used version (D);
 - e. from October 1, 2008, through November 16, 2008, two¹⁴ Travelers companies used versions (D), and from November 17, 2008, through December 31, 2010, they used version (E), when they ceased writing negotiated deductible and retrospectively rated policies and transferred that book of business to two¹⁵ other Travelers companies; and,
 - f. from January 1, 2011, through April 1, 2014, eight¹⁶ Travelers companies used version (E).
30. Travelers also reported to the department that from January 1, 2003, through March 31, 2014, there were 8,964 negotiated deductible and retrospectively rated workers' compensation policies in Texas or with Texas exposures on which terrorism premium was calculated based upon a percentage of total workers compensation premium.
31. On April 16, 2014, under department filing number S2014, Travelers filed Loss Elimination Ratios (LERs) with the department reflecting it would begin using the *NCCI Basic Manual* with Texas exceptions for all of its workers' compensation policies with an effective date on or after June 1, 2014.

¹⁰ The Travelers Indemnity Company of Connecticut, The Travelers Indemnity Company, The Charter Oak Fire Insurance Company, The Travelers Indemnity Company of America, Travelers Casualty and Surety Company, and Travelers Property Casualty Company of America.

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ United States Fidelity and Guaranty Company and Fidelity and Guaranty Insurance Company.

¹⁵ Farmington Casualty Company and The Standard Fire Insurance Company.

¹⁶ The Travelers Indemnity Company of Connecticut, The Travelers Indemnity Company, The Charter Oak Fire Insurance Company, The Travelers Indemnity Company of America, Travelers Casualty and Surety Company, Travelers Property Casualty Company of America, Farmington Casualty Company, and The Standard Fire Insurance Company.

32. On April 29, 2014, Travelers informed the department that its systems were incapable of correctly calculating and charging the terrorism premium at policy inception. Thus, Travelers was not correctly calculating and charging estimated policy cost or estimated annual premium at policy inception for negotiated deductible and retrospectively rated policies. Moreover, Travelers informed the department that once a policy was audited at expiration, its electronic systems did not retain estimated data elements, specifically estimated payroll and standard premium, which are necessary to verify the methodology of calculating the terrorism premium charge and estimated policy cost or estimated annual premium at policy inception.
33. On May 27, 2014, Travelers informed the department that as an interim corrective measure for its in force policies, it implemented its filed rates and calculated the terrorism premium and corrected policy cost at audit using audited payroll, instead of estimated payroll.
34. In January 2015, Travelers informed the department that as of November 24, 2014, it began to correctly calculate terrorism premium at policy inception for all negotiated deductible policies, and that it would correctly calculate terrorism premium at policy inception for retrospectively rated policies beginning February 16, 2015.

CONCLUSIONS OF LAW

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051 – 82.055 and 84.021– 84.044.
2. The commissioner has the authority to informally dispose of this matter as set forth in TEX. GOV'T CODE § 2001.056; TEX. INS. CODE §§ 36.104 and 82.055; and 28 TEX. ADMIN. CODE § 1.47.
3. Travelers has knowingly and voluntarily waived all procedural rights to which it may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intention to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. Travelers violated TEX. INS. CODE § 2052.002(b) by delivering and issuing for delivery 15 different forms, including five versions of three separate endorsement forms, for use in writing workers' compensation insurance which were not submitted to and approved by the department.
5. Travelers violated TEX. INS. CODE § 2053.003 by using unfiled and unapproved terrorism rates from May 10, 2003, through February 15, 2015.
6. Travelers violated Rule III-E and Rule VI-J of the *Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers'*

Liability Insurance by incorrectly calculating terrorism premium and total estimated policy cost for negotiated deductible and retrospectively rated policies with effective dates beginning May 10, 2003, through May 31, 2014.

7. Travelers violated Rule 3-A-24-c and the Texas Workers Compensation Premium Algorithm in the *NCCI Basic Manual*, with Texas exceptions, by incorrectly calculating terrorism premium and estimated annual premium for negotiated deductible and retrospectively rated policies with effective dates beginning June 1, 2014, through February 15, 2015.

The commissioner orders Travelers to comply with the following compliance plan:

- a. Travelers must cease and desist issuance, delivery, and any use of all versions of any unfiled and unapproved TRIA endorsement forms, to the extent it has not already done so.
- b. Travelers must comply with Rule 3-A-24-c and the Texas Workers Compensation Premium Algorithm in the *NCCI Basic Manual*, with Texas exceptions, and correctly calculate the terrorism premium and estimated annual premium for all negotiated deductible and retrospectively rated policies underwritten on or after February 16, 2015. For any policies that were underwritten prior to February 16, 2015, and were issued or renewed on or after February 16, 2015, Travelers must implement the terrorism value in the *NCCI Basic Manual*, with Texas exceptions, and calculate the terrorism premium and corrected annual premium at audit using audited payroll, instead of estimated payroll.
- c. Beginning February 16, 2015, Travelers must capture and retain all data elements necessary to demonstrate compliance with the *NCCI Basic Manual*, with Texas exceptions.
- d. Travelers must provide disclosure to the policyholder of the correct terrorism premium charged as a separate line item on the Information Page(s) of all workers compensation policies issued or renewed on or after April 1, 2015.
- e. Travelers must demonstrate its compliance with the *NCCI Basic Manual*, with Texas exceptions, as follows:
 - i. On or before June 1, 2015, Travelers must send the department a sortable, electronic list of all negotiated deductible and retrospectively rated workers' compensation policies issued and renewed between April 1, 2015, and April 30, 2015. The list must contain the following:
 - name of the Travelers company that issued or renewed the policy;
 - type of workers' compensation or employers' liability policy (e.g. negotiated deductible or retrospectively rated);
 - policy number;

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- policyholder name;
 - policyholder address;
 - effective date of the policy;
 - estimated payroll for the policy period;
 - estimated annual premium; and,
 - the terrorism premium.
- ii. On or before June 15, 2015, the department may select up to 10 of these policies, and will notify Travelers of the policies selected.
- iii. On or before July 1, 2015, Travelers must provide the department with copies of the Information Page(s) for each of the 10 selected policies which shows the correct terrorism premium charged as a separate line item.
- f. Travelers must identify all negotiated deductible and retrospectively rated workers' compensation and employers' liability policies issued by Travelers in Texas and issued to policyholders with Texas exposures, with effective dates from January 1, 2010, through March 31, 2013 (the "Review Period").
- g. For each policy in the Review Period, Travelers must calculate Corrected Terrorism Premium using the filed terrorism rate of \$0.02 per \$100 of payroll or \$0.024 per \$100 of payroll as appropriate to the policy based upon its effective date. Travelers must calculate Corrected Terrorism Premium using this prescribed calculation: $\text{audited payroll}/100 \times \text{filed terrorism rate} = \text{Corrected Terrorism Premium}$.
- h. For each policy in the Review Period, Travelers must calculate and determine whether the dollar amount of terrorism premium allocated or booked by Travelers (the "Allocated Premium") is less than or more than the Corrected Terrorism Premium. If the Allocated Premium is less than the Corrected Terrorism Premium, the difference constitutes the Undercharge. If the Allocated Premium is more than the Corrected Terrorism Premium, the difference constitutes the Overcharge. If the Allocated Premium and the Corrected Terrorism Premium are equal for any particular policyholder, Travelers will report zero as the Undercharge and Overcharge.
- i. Travelers must pay restitution in the form of a company check to each policyholder identified in the Review Period as having an Overcharge (the "Qualifying Policyholders"). The restitution check must include both the dollar amount of the Overcharge, plus simple interest due on the Overcharge. The rate of interest shall be 10% per annum.
- j. Travelers must mail the restitution checks to the Qualifying Policyholders with a notice in the form of Exhibit A, on or before June 1, 2015.
- k. Any restitution checks that are returned to Travelers with an address correction must be promptly resent to the correct address. Funds from any restitution checks that are returned thereafter for incorrect addresses and from checks that are not negotiated prior to one year after the date of the issuance of the check will be presumed

abandoned and delivered to the comptroller pursuant to the procedures set forth in TEX. PROP. CODE §§ 72.001 *et. seq.* Travelers must copy the department on any correspondence pertaining to abandoned funds that is sent to the comptroller.

- l. Travelers may not collect or attempt to collect, and must cease and desist from any present collection efforts related to the Undercharges or any terrorism premium for negotiated deductible and retrospectively rated policyholders in the Review Period whose Allocated Premium was less than the Corrected Terrorism Premium amount required under the methodology determined by the terms of this order, the *Basic Manual*, and/or the *NCCI Basic Manual*, with Texas exceptions. Travelers must take all actions necessary to expunge any negative information pertaining to any collection attempts from any such policyholder's credit record.
- m. On or before July 1, 2015, Travelers must report the restitution paid to the Qualifying Policyholders by submitting complete and sortable electronic spreadsheets to the department. The spreadsheets must contain the following information:
 - i. name of the Travelers company that issued the policy;
 - ii. type of workers' compensation or employers' liability policy (e.g. negotiated deductible or retrospectively rated);
 - iii. policy number;
 - iv. policyholder name;
 - v. policyholder address;
 - vi. effective date of the policy;
 - vii. expiration date of the policy;
 - viii. Corrected Terrorism Premium;
 - ix. Undercharge;
 - x. Overcharge;
 - xi. dollar amount of simple interest;
 - xii. date of mailing of restitution check;
 - xiii. the total sum of all Undercharges;
 - xiv. the total sum of all Overcharges;
 - xv. the total sum of all simple interest; and,
 - xvi. the total sum of all restitution paid (total Overcharges plus the total of the simple interest) .
- n. Travelers must send all submissions required under the terms of this order by email to: nancy.moore@tdi.texas.gov, rachel.cloyd@tdi.texas.gov, and catherine.bell@tdi.texas.gov, or their successors.

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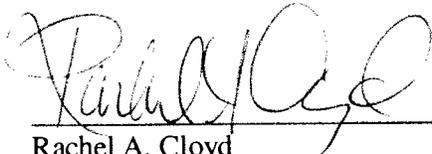
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The commissioner further orders Travelers to pay, jointly and severally, an administrative penalty of \$1,200,000 within 30 days from the date of this order. The payment must be paid by cashier's check or money order made payable to the "State of Texas" and transmitted to the Texas Department of Insurance, Attn: Enforcement Section, Division 40111, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.



David C. Mattax
Commissioner of Insurance

APPROVED AS TO FORM AND CONTENT:



Rachel A. Cloyd
Staff Attorney, Enforcement Section
Texas Department of Insurance

COUNSEL FOR RESPONDENTS, COLLECTIVELY:



Mary F. Keller
Winstead, PC

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AFFIDAVIT

The Standard Fire Insurance Company

STATE OF Connecticut §

COUNTY OF Hartford §

Before me, the undersigned authority, personally appeared John R. Nealon, who being by me duly sworn, deposed as follows:

"My name is John R. Nealon. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of Assistant Corporate Secretary, and am the authorized representative of The Standard Fire Insurance Company. I am duly authorized by said organization to execute this statement.

The Standard Fire Insurance Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

John R. Nealon
Affiant

SWORN TO AND SUBSCRIBED before me on March 6, 2015.

(NOTARY SEAL)

Debra P. Tobias
Signature of Notary Public

DEBRA P. TOBIAS
NOTARY PUBLIC
MY COMMISSION EXPIRES APR. 30 2019

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AFFIDAVIT

The Travelers Indemnity Company of America

STATE OF Connecticut §

COUNTY OF Hartford §

Before me, the undersigned authority, personally appeared John R. Nealon, who being by me duly sworn, deposed as follows:

"My name is John R. Nealon. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of Assistant Corporate Secretary, and am the authorized representative of The Travelers Indemnity Company of America. I am duly authorized by said organization to execute this statement.

The Travelers Indemnity Company of America has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

John R. Nealon
Affiant

SWORN TO AND SUBSCRIBED before me on March 6, 2015.

(NOTARY SEAL)

Debra P. Tobias
Signature of Notary Public

DEBRA P. TOBIAS
NOTARY PUBLIC
MY COMMISSION EXPIRES APR. 30 2019

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AFFIDAVIT

Travelers Casualty and Surety Company

STATE OF Connecticut §

COUNTY OF Hartford §

Before me, the undersigned authority, personally appeared John R. Nealon, who being by me duly sworn, deposed as follows:

"My name is John R. Nealon. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of Assistant Corporate Secretary, and am the authorized representative of Travelers Casualty and Surety Company. I am duly authorized by said organization to execute this statement.

Travelers Casualty and Surety Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

John R. Nealon
Affiant

SWORN TO AND SUBSCRIBED before me on March 6, 2015.

(NOTARY SEAL)

[Signature]
Signature of Notary Public

DEBRA P. TOBIAS
NOTARY PUBLIC
MY COMMISSION EXPIRES APR. 30 2019

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AFFIDAVIT

Travelers Property Casualty Company of America

STATE OF Connecticut §

COUNTY OF Hartford §

Before me, the undersigned authority, personally appeared John R. Nealon, who being by me duly sworn, deposed as follows:

"My name is John R. Nealon. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of Assistant Corporate Secretary, and am the authorized representative of Travelers Property Casualty Company of America. I am duly authorized by said organization to execute this statement.

Travelers Property Casualty Company of America has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

John R. Nealon
Affiant

SWORN TO AND SUBSCRIBED before me on March 6, 2015.

(NOTARY SEAL)

[Signature]
Signature of Notary Public

DEBRA P. TOBIAS
NOTARY PUBLIC
MY COMMISSION EXPIRES APR. 30 2019

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AFFIDAVIT

United States Fidelity and Guaranty Company

STATE OF Connecticut §

COUNTY OF Hartford §

Before me, the undersigned authority, personally appeared John R. Nealon, who being by me duly sworn, deposed as follows:

"My name is John R. Nealon. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of Assistant Corporate Secretary, and am the authorized representative of United States Fidelity and Guaranty Company. I am duly authorized by said organization to execute this statement.

United States Fidelity and Guaranty Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

John R. Nealon
Affiant

SWORN TO AND SUBSCRIBED before me on March 6, 2015.

(NOTARY SEAL)

Debra P. Tobias
Signature of Notary Public

DEBRA P. TOBIAS
NOTARY PUBLIC
MY COMMISSION EXPIRES APR. 30 2019

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AFFIDAVIT

Fidelity and Guaranty Insurance Company

STATE OF Connecticut §

COUNTY OF Hartford §

Before me, the undersigned authority, personally appeared John R. Nealon, who being by me duly sworn, deposed as follows:

"My name is John R. Nealon. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of Assistant estate secretary, and am the authorized representative of Fidelity and Guaranty Insurance Company. I am duly authorized by said organization to execute this statement.

Fidelity and Guaranty Insurance Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

John R. Nealon
Affiant

SWORN TO AND SUBSCRIBED before me on March 6, 2015.

(NOTARY SEAL)

Debra P. Tobias
Signature of Notary Public

DEBRA P. TOBIAS
NOTARY PUBLIC
MY COMMISSION EXPIRES APR. 30 2019

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EXHIBIT A

The Texas Department of Insurance has determined that the terrorism premium you paid for workers' compensation or employers' liability coverage was calculated incorrectly and not in compliance with the Texas Insurance Code, the *Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance*, and/or related regulations.

The enclosed refund of \$_____ represents the difference between the correctly calculated terrorism premium and the terrorism premium you paid for your policy with an effective date of [*effective date of policy*], and which expired on [*expiration date*]. This refund also includes simple interest in the amount of \$_____ at the rate of 10% per annum.