

REPORT ON
THE MARKET CONDUCT EXAMINATION

OF

Metropolitan Property and Casualty Insurance Company
NAIC Company Code: 26298

Metropolitan Group Property and Casualty Insurance Company
NAIC Company Code: 34339

Metropolitan General Insurance Company
NAIC Company Code: 39950

As of

December 31, 2005

State of Rhode Island
Department of Business Regulation
Insurance Division

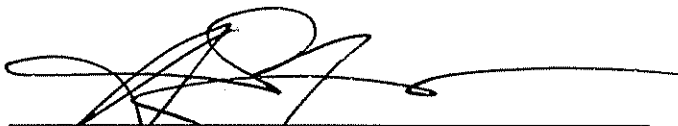
**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION**

The attached Report of Examination as of December 31, 2005 of the market conduct condition and affairs of Metropolitan Property and Casualty Insurance Company, Metropolitan Group Property and Casualty Insurance Company and Metropolitan General Insurance Company was recently completed by duly qualified examiners, pursuant to the provision of the Rhode Island Insurance Code.

Due consideration has been given to the comments of the examiners regarding the operations of Metropolitan Property & Casualty Insurance Company and their market conduct condition as reflected from the examination report.

It is therefore ORDERED that said Report be, and it is hereby adopted and filed and made an official record of this department as of this date.

DEPARTMENT OF BUSINESS REGULATION



A. Michael Marques
Director/Insurance Commissioner

ORDER NO. 07-087

DATED: 3/21/07

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Providence, Rhode Island

January 26, 2007

Honorable A. Michael Marques
Insurance Commissioner
State of Rhode Island

Commissioner:

In accordance with your instructions, and pursuant to the statutes of the State of Rhode Island, a
Market Conduct Examination was conducted of the:

Metropolitan Property and Casualty Insurance Company
Metropolitan Group Property and Casualty Insurance Company
Metropolitan General Insurance Company
700 Quaker Lane
Warwick, Rhode Island 02886-6669

Hereinafter referred to as the "Companies".

The examination was conducted at the Companies' home office, located at 700 Quaker Lane,
Warwick, Rhode Island.

FOREWORD

Our Market Conduct Examination Report is, in general, a report by exception. Information relating to practices, procedures, and/or files subject to review during our examination has been omitted from the report if errors over a three-percent threshold were not evidenced.

SCOPE OF EXAMINATION

Authority for this examination is provided by R. I. Gen. Laws §27-13-1 and §27-13.1-3. The examination covered the period from January 1, 2004 through December 31, 2005, and was conducted in accordance with standards established by the National Association of Insurance Commissioners, and procedures developed by the Rhode Island Department of Business Regulation, Insurance Division.

The examination encompassed a review of the following areas: Consumer or Other Related Complaints, Underwriting, Claims, Cancellations and Nonrenewals. The lines of business reviewed were Private Passenger Automobile and Homeowners.

The primary purpose of the examination was to evaluate the Companies' compliance with Rhode Island General Laws and Insurance Regulations, and to determine whether Rhode Island insureds and claimants are being treated equitably. The test work performed during the examination satisfied this purpose, and forms the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the insurer's files.

PROFILE OF COMPANY

History

Metropolitan Property and Casualty Insurance Company

The Company was incorporated on August 31, 1972 under the laws of Delaware, as Metropolitan Property and Liability Insurance Company, and commenced writing business on December 8, 1972. On February 13, 1990, the Company's corporate name was changed to Metropolitan Property and Casualty Insurance Company. Effective February 10, 1995, the Company redomesticated from Delaware to Rhode Island. The Company writes personal lines business at standard rates through MetLife and MPC agents, independent agents, its group property and casualty distribution source, and integrated marketing efforts.

Metropolitan Group Property and Casualty Insurance Company

The Company was incorporated on December 10, 1976, under the laws of Delaware as Metropolitan Reinsurance Company, and commenced business on December 1, 1977. The corporate name was changed to Metropolitan Group Property and Casualty Insurance Company, effective April 3, 1992. Metropolitan Group Property and Casualty Insurance Company redomesticated from Delaware to Rhode Island, effective February 10, 1995. The Company markets group franchised mass-merchandised personal lines insurance.

Metropolitan General Insurance Company

The Company was incorporated on June 30, 1980, under the laws of Delaware, and commenced writing business on October 13, 1981. Metropolitan General Insurance Company redomesticated from Delaware to Rhode Island effective February 10, 1995. The Company predominantly writes non-standard automobile business through MetLife and MPC agents and independent agents.

Operations

The Companies' Rhode Island direct written premium for the year 2005 was as follows:

<u>Line of Business</u>	<u>Written Premium</u>
Other Private Passenger Auto Liability	\$47,345,000
Private Passenger Auto Physical Damage	22,078,000
Homeowners Multiple Peril	<u>15,120,000</u>
	<u>\$84,543,000</u>

Board of Directors

At December 31, 2005, the Directors of the Metropolitan Property and Casualty Insurance Company were as follows: Francis Donnantuono, James Louis Lipscomb, William Joseph Mullaney, Catherine Amelia Rein and Lisa Merry Weber.

At December 31, 2005, the Directors of the Metropolitan Group Property and Casualty Insurance Company and the Metropolitan General Insurance Company were as follows: Robert Wylie Harvey, William Joseph Mullaney, Margaret Ann Rody, Edward Elliot Veazey and Michael Clifford Walsh.

Management

At December 31, 2005, the Officers of the Metropolitan Property and Casualty Insurance Company, Metropolitan Group Property and Casualty Insurance Company and Metropolitan General Insurance Company were as follows: William Joseph Mullaney, (President), Anthony James Williamson, (Treasurer) and Maura Catherine Travers, (Secretary).

CLAIMS

Homeowners – Paid

A review of the companies' homeowners paid claim practices was conducted to determine whether actions taken by the Companies were in compliance with R. I. Gen. Laws §27-5-3, §27-9.1-4, §27-29-4 and Rhode Island Insurance regulation 73. The review was also performed to determine whether the Companies were in compliance with their own claims procedures, to verify that claim files contained proper documentation, and that claims were paid in accordance with the Companies' guidelines and the appropriate provisions of the applicable policy contract.

The companies provided the examiners with a listing of 1,291 homeowner paid claims processed during the period under examination. From this listing, a sample of 50 claim files was selected for review. The selection of the sample files was based on established NAIC sampling criteria.

Based on the examination work performed, evidence in three of the files reviewed indicated that the Companies were not in compliance with Rhode Island Insurance Regulation 73, Section 5.D, which requires every insurer, upon receiving notification of a claim from a claimant shall, within 10 days, acknowledge the receipt of such notice in writing.

Recommendation #1: It is recommended that the Companies monitor homeowner paid claims to ensure compliance with Rhode Island Insurance Regulation 73, Section 5.D. In addition, the Companies should advise all personnel involved in the processing of Rhode Island homeowner claims of the requirements of Rhode Island Insurance Regulation 73.

Homeowners – Closed without Payment

A review of the Companies' homeowners claims closed without payment practices was conducted to determine whether actions taken by the Companies were in compliance with R. I. Gen. Laws §27-5-3, §27-9.1-4, §27-29-4 and Rhode Island Insurance Regulation 73. The review was also performed to determine whether the Companies were in compliance with their own claims procedures, to verify that claim files contained proper documentation, and that claims were closed in accordance with the Companies' guidelines and the appropriate provisions of the applicable policy contract.

The Companies provided the examiners with a listing of 599 homeowner claims closed without payment processed during the period under examination. From this listing, an initial sample of 50 files was selected for review. The selection of the sample files was based on established NAIC sampling criteria.

Based on the examination work performed, the examiners noted 3 files that did not comply with Rhode Island Insurance Regulation 73, Section 6.I. In their letter of claim denial, the Companies did not include the required language, which advises the claimant that they may contact the Rhode Department of Business Regulation, Insurance Division regarding the denial of their claim.

Recommendation #2 It is recommended that the Companies monitor homeowner closed without payment claims to ensure compliance with Rhode Island Insurance Regulation 73, 6.I. In addition, the Companies should advise all personnel involved in the processing of Rhode Island homeowner claims of the requirements of Rhode Island Insurance Regulation 73.

Homeowners – Cancellations

A review of the Companies' homeowners cancellation-nonrenewal practices was conducted to determine whether actions taken by the Companies were in compliance with R. I. Gen. Laws §27-5. The review was also performed to determine whether the Companies were in compliance with their own cancellation-nonrenewal procedures, to verify that files contained proper documentation, and that cancellation-nonrenewals were processed in accordance with the provisions of the applicable policy contract.

The Companies provided the examiners with a listing of 307 homeowner cancellations and 218 nonrenewals processed during the period under examination. From this population of 525 files an initial sample of 50 files was selected for review. The selection of the sample files was based on established NAIC sampling criteria.

Based on the examination work performed, the examiners noted 10 cancellation files that did not comply with R. I. Gen. Laws §27-5-3. In their letter of cancellation for reasons other than nonpayment of premium, the Companies indicated, "As a result of this termination, excess premium (if not tendered) will be refunded on demand". Effective June 23, 2004 the language in cancellation letters should read "prompt refund" of excess premium.

Recommendation #3: It is recommended that the Companies monitor their homeowner cancellation processing to ensure compliance with R. I. Gen. Laws §27-5-3. In addition, the Companies should advise all personnel involved in the processing of Rhode Island homeowner cancellations of the requirements of R. I. Gen. Laws §27-5-3.

NONRENEWALS

Private Passenger Automobile

A review of the Companies' automobile nonrenewal practices during the period under examination was conducted to determine whether the Companies complied with the applicable provisions of their private passenger automobile policies and were in compliance with R. I. Gen. Laws §31-47-4 and Rhode Island Insurance Regulation 16.

The Companies provided the examiners with a listing of 493 private passenger automobile nonrenewals processed during the examination period. From this listing, a sample of 50 files was selected for review. The selection of sample files was based on established NAIC sampling criteria.

Based upon the examination work performed, 3 exceptions were noted. Three nonrenewal files failed to make reference to Financial Security as required by R. I. Gen. Laws §31-47-4 and Rhode Island Insurance Regulation 16.

Recommendation #4: It is recommended that the Companies reinforce the monitoring of nonrenewal letters to ensure compliance with R. I. Gen. Laws §31-47-4 and Rhode Island Insurance Regulation 16.

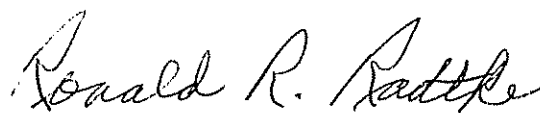
Rec. #	Summary of Recommendations	Page #
1	It is recommended that the Companies monitor homeowner paid claims to ensure compliance with Rhode Island Insurance Regulation 73, Section 5.D. In addition, the Companies should advise all personnel involved in the processing of Rhode Island homeowner claims of the requirements of Rhode Island Insurance Regulation 73.	7
2	It is recommended that the Companies monitor homeowner closed without payment claims to ensure compliance with Rhode Island Insurance Regulation 73, Section 6.I. In addition, the Companies should advise all personnel involved in the processing of Rhode Island homeowner claims of the requirements of Rhode Island Insurance Regulation 73.	8
3	It is recommended that the Companies monitor their homeowner cancellation processing to ensure compliance with R. I. Gen. Laws §27-5-3. In addition, the Companies should advise all personnel involved in the processing of Rhode Island homeowner cancellations of the requirements of R. I. Gen. Laws §27-5-3.	9
4	It is recommended that the Companies reinforce the monitoring of nonrenewal letters to ensure compliance with R. I. Gen. Laws §31-47-4 and Rhode Island Insurance Regulation 16.	10

CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. We were not informed of, and did not become aware of any other error or irregularity that could have a material effect on the market conduct condition of the Company as presented in this report.

Assisting the undersigned in the conduct of this examination was Robert G. Arrow, FLMI, Senior Market Conduct Examiner and Dorothy E. Wendoloski, CFE, Senior Insurance Examiner.

Respectfully submitted,



Ronald R. Radtke
Senior Market Conduct Examiner
Rhode Island Insurance Division

MetLife Auto & Home®
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RECEIVED

MetLife®

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SENT VIA FAX TRANSMISSION
AND U. S. MAIL

LIFE + HEALTH SECTION
INSURANCE DIVISION

Maura C. Travers
Assistant General Counsel and Secretary

February 15, 2007

Ms. Sharon K. Gordon, CPA, CFE
Chief Insurance Examiner
Department of Business Regulation
Insurance Division
233 Richmond Street, Suite 233
Providence, Rhode Island 02903-4233

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mtravers@metlife.com

RE: **Rhode Island Market Conduct Examination Report**

Dear Ms. Gordon:

On behalf of Metropolitan Property and Casualty Insurance Company, Metropolitan Group Property and Casualty Insurance Company, and Metropolitan General Insurance Company (hereafter collectively referred to as the "Companies"), I am responding to your letter of January 26, 2007, with respect to the above referenced matter. As you are aware, by letter dated January 25, 2007, we previously responded to the "draft" Report on the Market Conduct Examination (the "Report"). For your convenience, I am enclosing a copy of our prior response.

We compared the "draft" Report to the "final" Report and noted that no changes have been made. At this time, we are requesting that the responses provided in our letter of January 25, 2007, be incorporated into the "final" Report. We believe that this is important in order to place the findings in the proper context.

We respectfully maintain that the commitment of our Companies to compliance with Rhode Island law was readily evident to the Examiners during the course of this examination, and that the overall positive findings of the examination further demonstrate our Companies' compliant operations.

Thank you for your consideration of our response.

If you require anything further, please don't hesitate to contact me at 827-2661 or mtravers@metlife.com.

Very truly yours,



Maura C. Travers

MCT/soc

cc: T. Becker
W. McDonald
P. McGarvey
K. Wilson

Enclosure
#9619837

MetLife Auto & Home®
700 Quaker Lane
PO Box 350
Warwick, RI 02887



**SENT VIA FAX TRANSMISSION
AND U. S. MAIL**

January 25, 2007

Ms. Sharon K. Gordon, CPA, CFE
Chief Insurance Examiner
Department of Business Regulation
Insurance Division
233 Richmond Street, Suite 233
Providence, Rhode Island 02903-4233

Maura C. Travers
Assistant General Counsel and Secretary

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RE: Rhode Island Market Conduct Examination Report

Dear Ms. Gordon:

On behalf of Metropolitan Property and Casualty Insurance Company, Metropolitan Group Property and Casualty Insurance Company, and Metropolitan General Insurance Company (hereafter collectively referred to as the "Companies"), please accept this letter as our formal response to the Rhode Island Market Conduct Examination as of December 31, 2005, which accompanied your letter of December 22, 2006. As requested in your letter, we are herewith responding specifically to each of the recommendations contained in the Report and, where applicable, respectfully request certain revisions to the Report before it is finalized.

The responses have been organized to correspond to the specific recommendations and the pages where they appear in the Report. Accordingly, please be advised as follows:

Recommendation #1: Page 7. It is recommended that the Companies monitor homeowner paid claims to ensure compliance with Rhode Island Insurance Regulation 73, Section 5.D. In addition, the Companies should advise all personnel involved in the processing of Rhode Island homeowner claims of the requirements of Rhode Island Insurance Regulation 73.

Response: Three of the 50 claim files reviewed (6%) were found to not have acknowledged a claim in writing within ten days. We have reviewed the Companies' procedures and are able to confirm that this was an aberration and not indicative of our established business practices. Further, the adjusters handling homeowner claims have been reminded about the requirements of Regulation 73, and a copy of the Regulation has been provided to them for their reference.

Recommendation #2: Page 8. It is recommended that the Companies monitor homeowner closed without payment claims to ensure compliance with Rhode Island Insurance Regulation 73, 6.I. In addition, the Companies should advise all personnel involved in the processing of Rhode Island homeowner claims of the requirements of Rhode Island Insurance Regulation 73.

Response: Three of the 50 claims reviewed (6%) were found to not have been in accordance with Rhode Island Insurance Regulation 73, 6.I. A review of the Companies' records confirmed the three exceptions occurred during catastrophic events (October 2005) in the Gulf Coast. This also included flooding in the New England region, including Rhode Island, which saw over 1800 claims reported in a one week period of time. The requirements of the Regulation were not relaxed during this time.

Ms. Sharon K. Gordon, CPA, CFE
Chief Insurance Examiner
Department of Business Regulation
Insurance Division
January 25, 2007
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Respectfully, however, it is clear that these exceptions should be considered technical oversights and not consistent with the Companies' normal claim handling practices. It should also be noted that the Companies' existing procedures are in compliance with Rhode Island Regulation 73, 6.1. We are also confirming that the requirements of Regulation 73 concerning the proper contact information for the Rhode Island Department of Business Regulation, Insurance Division, have been reiterated to the adjusters. A copy of Regulation 73 has been provided to all homeowner adjusters for their reference.

Recommendation #3. Page 9. It is recommended that the Companies monitor their homeowner cancellation processing to ensure compliance with R.I. Gen. Laws §27-5-3. In addition, the Companies should advise all personnel involved in the processing of Rhode Island homeowner cancellations of the requirements of R.I. Gen. Laws §27-5-3.

Response: We have confirmed that the Companies have been processing homeowner cancellations and appropriately refunding premium owed to the insured at the time of cancellation in compliance with R.I. Gen. Laws §27-5-3. Omission of the cited language from the cancellation notice was a technical oversight. The notices have been revised to indicate that the premium will be promptly refunded at the time of cancellation.

Recommendation #4. Page 10. It is recommended that the Companies reinforce the monitoring of nonrenewal letters to ensure compliance with R.I. Gen. Laws §31-47-4 and Rhode Island Insurance Regulation 16.

Response: Three of the 50 nonrenewal files reviewed (6%) were cited for not making reference to financial security as required by R.I. Gen. Laws §31-47-4 and Rhode Island Insurance Regulation 16. A review of the Companies' procedures has confirmed that the procedures are in compliance with R.I. Gen. Laws §31-47-4 and Rhode Island Insurance Regulation 16. This was an aberration and not indicative of our established business practices.

As the above responses indicate, there are no open items that require action on the part of the Companies. I am also confirming that the Companies have either established or reiterated the necessary practices and procedures to ensure compliance with the various areas discussed in the Report. We maintain that the Companies' existing practices and procedures should be taken into consideration when the findings and recommendations of the Report are finalized.

We would also point out that the four areas covered by the Report reveal either technical oversights or a statistically insignificant number of unique errors. These instances clearly reflect either simple human errors or deviations from the Companies' established practices and procedures, and should not be a matter of regulatory concern. We respectfully submit that, under these circumstances, findings of regulatory violations or non-compliance are not warranted, and that these findings should be re-phrased to reflect the very small error percentage involved.

Further, the examination findings confirmed that the Companies' overall practices and procedures were compliant with Rhode Island law and the exceptions were within the tolerance level thresholds

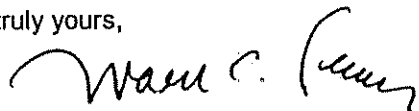
Ms. Sharon K. Gordon, CPA, CFE
Chief Insurance Examiner
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Insurance Division
January 25, 2007
Page 3 of 3

suggested by the NAIC in its *Market Conduct Examiners' Handbook*. Considering the scope of the examination, the Report findings as a whole and the actions that have been taken, the Companies' commitment to compliance is evident.

Thank you for your consideration and for providing us with the opportunity to review and comment on the Report. We understand that, following review of the Companies' response to the comments and recommendations contained in the "Draft" Report, the final Report will be issued, and the Companies will have another opportunity to respond to each specific finding in the Report within thirty days of its receipt.

If you have any questions and/or require any further clarification, please do not hesitate to contact me directly at 827-2661 or mtravers@metlife.com.

Very truly yours,



Maura C. Travers
Assistant General Counsel and Secretary

MCT/soc

cc: T. Becker
W. McDonald
P. McGarvey
K. Wilson