

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
FINANCIAL FRAUDS & CONSUMER PROTECTION DIVISION

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In the Matter of

NARRAGANSETT BAY INSURANCE COMPANY,

Respondent.

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**CONSENT ORDER**


WHEREAS, in 2013, the New York State Department of Financial Services (the “Department”) commenced an investigation pursuant to Financial Services Law (“FSL”) §404, Insurance Law §2601, and Insurance Regulation 11 NYCRR §216.5 into the insurance and other business practices of NARRAGANSETT BAY INSURANCE COMPANY (“Narragansett”) (the “Investigation”);

WHEREAS, the Department investigated whether Narragansett complied with the requirements of the New York Insurance Law and its implementing regulations in commencing investigations of claims resulting from damage caused by Storm Sandy;

WHEREAS, the Investigation concluded that Narragansett failed on numerous occasions to perform adjuster inspections of property damaged by Storm Sandy during the time frames required by the New York Insurance Law and its implementing regulations;

WHEREAS, this Consent Order contains the findings of the Investigation, violations found as a result of the Investigation, and the relief agreed to by the Department and Narragansett.

NOW, THEREFORE, the Department and Narragansett are willing to resolve the matters cited herein in lieu of proceeding by notice and a hearing.



## **FINDINGS**

The findings of the Investigation are as follows:

### **Relevant Entity**

1. Narragansett is a Rhode Island corporation with its principal place of business located at 25 Maple Street, Pawtucket, RI 02860.
2. Narragansett is a property and casualty insurer licensed to write homeowners and dwelling fire insurance in four states, including the State of New York pursuant to the New York Insurance Law.

### **Background**

3. Storm Sandy occurred October 29, 2012 through October 30, 2012 in New York (“Storm Sandy”).
4. Narragansett received from New York insureds over 10,000 claims occurring from October 26, 2012 through November 15, 2012 in the New York State counties of Bronx, Kings, Nassau, New York, Orange, Queens, Richmond, Rockland, Suffolk or Westchester, including their adjacent waters, with respect to loss of or damage to real property or personal property, or other liabilities for loss of, damage to, or injury to persons or property (collectively “Sandy Claims”).
5. Most Sandy Claims required Narragansett to conduct an inspection of the damaged or destroyed property.

### **Claims Processing Delays**

6. Section 216.5(a)(1) of 11 NYCRR 216 (“Insurance Regulation 64”) requires an insurer to “commence an investigation of any claim” within fifteen (15) business days of receiving notice of claim. As such, Insurance Regulation 64 required Narragansett to send an

adjuster to perform an inspection of a Sandy Claim within fifteen (15) business days of receiving notice of claim.

7. On November 29, 2012 the Department promulgated the Twelfth Amendment to Insurance Regulation 64 on an emergency basis, adding Section 216.5(a)(2) to 11 NYCRR 216 (the “Twelfth Amendment to Insurance Regulation 64”).

8. For any Sandy Claim filed between October 26, 2012 and November 29, 2012, the Twelfth Amendment to Insurance Regulation 64 required Narragansett to “commence an investigation” of that claim within the shorter of six (6) business days after November 29, 2012 or fifteen (15) business days of receiving notice of claim. If “[Narragansett] wishe[d] its investigation to include an inspection of the damaged or destroyed property,” then that inspection was also required to occur within the shorter of six (6) business days after November 29, 2012 or fifteen (15) business days of receiving notice of claim.

9. For any Sandy Claim filed on or after November 29, 2012, the Twelfth Amendment to Insurance Regulation 64 required Narragansett to “commence an investigation” of that claim within six (6) business days of receiving notice of claim. If “[Narragansett] wishe[d] its investigation to include an inspection of the damaged or destroyed property,” then that inspection was also required to occur within six (6) business days of receiving notice of claim.

10. In violation of Insurance Regulation 64 and the Twelfth Amendment to Insurance Regulation 64, Narragansett in numerous instances failed to perform adjuster inspections for Sandy Claims in the required time frames.



**VIOLATIONS**

11. The foregoing acts and practices of Narragansett violated Insurance Law §2601, Insurance Regulation 64, and the Twelfth Amendment to Insurance Regulation 64.

**AGREEMENT**

12. Narragansett admits to violations of Insurance Law §2601, Insurance Regulation 64, and the Twelfth Amendment to Insurance Regulation 64.

**Claims Processing Preparedness and Reporting**

13. Narragansett shall have performed within sixty (60) days of the effective date of this Consent Order the following to ensure that it is able to successfully process New York insureds' catastrophe claims in the time frames required under the Insurance Law and Department Regulations and effectively report information concerning those claims to the Department:

- a. Improve systems and procedures so that it can adequately respond to a catastrophe that produces up to 30,000 total claims.
- b. Obtain commitments from local vendors to handle up to 30,000 total claims.
- c. Establish a plan to secure vehicle certificates to allow adjuster and other access to restricted and damaged areas post-catastrophe.
- d. Implement a plan to secure state emergency licenses for independent adjusters, as needed.
- e. Implement procedures to allow automated adjuster assignments via enhancements to internal and external online platforms.
- f. Enhance its claims system(s) to allow automated extraction of catastrophe claims related to a designated event and automatic assignment of these claims

to a vendor for distribution to independent adjusting partners who can dispatch adjusters based on zip code and rules Narragansett develops.

- g. Implement procedures for adjusters to follow post-assignment, including instructions for contacting an insured, confirming facts of loss, and providing an estimated time for inspection, if warranted.
- h. Improve its telephone systems and call centers by:
  - i. enabling its telephone systems to handle call capacity in excess of 500 calls per hour;
  - ii. reviewing current third-party call centers and establishing procedures to review prospective third-party call centers for catastrophe call handling;
  - iii. developing and executing catastrophe training of call center personnel; and
  - iv. continuing to update call center training to include frequently asked questions to allow increased first-call issue resolution.
- i. Test system functionality and capacity for all disaster recovery communications media.
- j. Maintain a secure space with essential equipment and office supplies dedicated to catastrophe use, including computers, monitors, phones, printers and supplies, maps, digital cameras, policy forms, and mobile power converters.
- k. Improve reporting to monitor claims performance during a catastrophe.



1. Implement procedures for collecting, maintaining, and updating catastrophe claims data to allow efficient reporting of catastrophe claims processing data to the Department.

#### **Penalty and Remedial Procedures**

14. Within ten (10) days of the Effective Date of this Consent Order, Narragansett shall pay a civil penalty of THREE HUNDRED TWENTY SEVEN THOUSAND FOUR HUNDRED Dollars (\$327,400.00) to the New York State Department of Financial Services to address the foregoing conduct by Narragansett. The payment shall be in the form of a wire transfer in accordance with the Department's instructions or a certified or bank check made out to "State of New York Department of Financial Services" and mailed to: New York State Department of Financial Services, One State Street, New York, New York, 10004-1511, Att: Zoe Rasmussen, Associate Counsel, Financial Frauds & Consumer Protection Division.

15. Neither Narragansett nor any of its subsidiaries or affiliates shall, collectively or individually, seek or accept, directly or indirectly, reimbursement or indemnification with regard to any or all of the amounts payable pursuant to this Consent Order, including, but not limited to, payment made pursuant to any insurance policy.

#### **Other Relief**

16. Narragansett admits to the authority of the Department to effectuate this Consent Order.

#### **Breach of the Consent Order**

17. In the event that the Department believes Narragansett to be materially in breach of the Consent Order ("Breach"), the Department will provide written notice to Narragansett of the Breach and Narragansett must, within ten (10) business days from the date of receipt of said



notice, or on a later date if so determined in the sole discretion of the Department, appear before the Department and shall have an opportunity to rebut the evidence, if any, of the Department that a Breach has occurred and, to the extent pertinent, demonstrate that any such Breach is not material or has been cured.

18. The Parties understand and agree that Narragansett's failure to appear before the Department to make the required demonstration within the specified period as set forth in Paragraph 17 of this Consent Order is presumptive evidence of Narragansett's Breach. Upon a finding of Breach, the Department has all the remedies available to it under the New York Insurance Law and FSL and may use any and all evidence available to it in connection with all ensuing hearings, notices, orders and other remedies that are available under the New York Insurance Law and Regulations and the FSL.

#### **Other Provisions**

19. Nothing in this Consent Order shall be construed to prevent any consumer from pursuing any right or remedy at law.

20. If Narragansett defaults on its monetary obligations under this Consent Order, the Department may terminate this Consent Order, at its sole discretion, upon ten (10) days' written notice to Narragansett. In the event of such termination, Narragansett expressly agrees and acknowledges that this Consent Order shall in no way bar or otherwise preclude the Department from commencing, conducting or prosecuting any investigation, action or proceeding, however denominated, related to the Consent Order, against Narragansett, or from using in any way statements, documents or other materials produced or provided by Narragansett prior to or after the date of this Consent Order including, without limitation, such statements, documents or other materials, if any, provided for purposes of settlement negotiations.



21. The Department has agreed to the terms of this Consent Order based on, among other things, the representations made to the Department by Narragansett or its counsel and the Department's own factual Investigation. To the extent that representations made by Narragansett or its counsel are later found to be materially incomplete or inaccurate, this Consent Order is voidable by the Department in its sole discretion.

22. Upon the request of the Department, Narragansett shall provide all documentation and information reasonably necessary for the Department to verify compliance with this Consent Order.

23. All notices, reports, requests, and other communications to any party pursuant to this Consent Order shall be in writing and shall be directed as follows:

If to the Department:

New York State Department of Financial Services  
One State Street  
New York, NY 10004-1511  
Attention: Zoe Rasmussen, Associate Counsel

If to Narragansett:

Narragansett Bay Insurance Company  
25 Maple Street  
Pawtucket, RI 02862  
Attention: Todd C. Hart, President and Chief Executive Officer

with a copy to:

Nixon Peabody LLP  
Suite 500  
One Citizens Plaza  
Providence, RI 02903  
Attention: Stephen D. Zubiago

24. This Consent Order and any dispute thereunder shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.



**25.** Narragansett waives its right to further notice and hearing in this matter as to any allegations of past violations up to and including the Effective Date of this Consent Order and agrees that no provision of the Consent Order is subject to review in any court or tribunal outside the Department.

**26.** This Consent Order may not be amended except by an instrument in writing signed on behalf of all the parties to this Consent Order.

**27.** This Consent Order constitutes the entire agreement between the Department and Narragansett and supersedes any prior communication, understanding or agreement, whether written or oral, concerning the subject matter of this Consent Order. No representation, inducement, promise, understanding, condition, or warranty not set forth in this Consent Order has been relied upon by any party to this Consent Order.

**28.** In the event that one or more provisions contained in this Consent Order shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Consent Order.

**29.** This Consent Order may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the parties hereto and So Ordered by the Superintendent of Financial Services or his designee (the "Effective Date").


**30.** Upon execution by the parties to this Consent Order, the Department will discontinue the Investigation as and against Narragansett solely with respect to delays in commencing or completing inspections of Sandy Claims in New York State through the date of this Consent Order. No further action will be taken by the Department against Narragansett for the conduct set forth in this Consent Order provided that Narragansett complies with the terms of the Consent Order.

**WHEREFORE**, the signatures evidencing assent to this Consent Order have been affixed hereto on the dates set forth below.

Dated: May 17, 2014

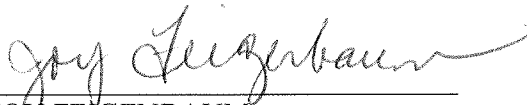
NARRAGANSETT BAY INSURANCE COMPANY

By:


  
\_\_\_\_\_  
CEO 21 May 2014

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:

  
\_\_\_\_\_  
JOY FEIGENBAUM  
Executive Deputy Superintendent  
Financial Frauds and Consumer Protection

SO ORDERED

  
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BENJAMIN M. LAWSKY  
Superintendent of Financial Services