IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION STATE OF MISSOURI

In Re:	)	
	)	
AMERICAN CASUALTY COMPANY OF READING PA (NAIC#20427)	)	**Market Conduct Examination Numbers 1104-38-TGT**
CONTINENTAL CASUALTY COMPANY (NAIC #20443)	)	**1104-39-TGT**
	)	**1104-40-TGT**
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD (NAIC#20478)	)	**1104-41-TGT**
	)	**1104-42-TGT**
TRANSCONTINENTAL INSURANCE COMPANY (NAIC#20486)	)	**1104-43-TGT**
	)	
TRANSPORTATION INSURANCE COMPANY (NAIC#20494)	)	
	)	
VALLEY FORGE INSURANCE COMPANY (NAIC#20508)	)	
	)	

ORDER OF THE DIRECTOR

NOW, on this 3RD day of APRIL, 2014, Director John M. Huff, after consideration and review of the market conduct examination reports of American Casualty Company of Reading PA (NAIC #20427) (hereafter referred to as "American Casualty"), report number 1104-38-TGT, Continental Casualty Company (NAIC #20443) (hereafter referred to as "Continental"), report number 1104-39-TGT, National Fire Insurance Company of Hartford (NAIC #20478) (hereafter referred to as "National Fire"), report number 1104-40-TGT, Transcontinental Insurance Company (NAIC #20486) (hereafter referred to as "Transcontinental"), report number 1104-41-TGT, Transportation Insurance Company (NAIC #20494) (hereafter referred to as "Transportation"), report number 1104-42-TGT, and Valley Forge Insurance Company (NAIC #20508) (hereafter referred to as "Valley Forge") , report number 1104-43-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3) (a)[1], and the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), does hereby adopt such reports as filed. After consideration and review of the

1 All references, unless otherwise noted, are to Missouri Revised Statutes 2000 as amended.

Stipulation, reports, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such reports are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4).

This order, issued pursuant to §374.205.3(4), §374.280, and §374.046.15. RSMo (Cum. Supp. 2012), is in the public interest.

IT IS THEREFORE ORDERED that American Casualty, Continental, National Fire, Transcontinental, Transportation, Valley Forge and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that American Casualty, Continental, National Fire, Transcontinental, Transportation, and Valley Forge shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place each Company in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

IT IS FURTHER ORDERED that American Casualty shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $161,950 payable to the Missouri State School Fund.

IT IS FURTHER ORDERED that Continental shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $5,800 payable to the Missouri State School Fund.

IT IS FURTHER ORDERED that National Fire shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $2,800 payable to the Missouri State School Fund.

IT IS FURTHER ORDERED that Transportation shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $4,950 payable to the Missouri State School Fund.

IT IS FURTHER ORDERED that Valley Forge shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $9,450 payable to the Missouri State School Fund.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 3RD day of APRIL, 2014.

John M. Huff
Director

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MO. DEPT. OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION STATE OF MISSOURI

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	)	**1104-42-TGT**
TRANSCONTINENTAL INSURANCE COMPANY (NAIC#20486)	)	**1104-43-TGT**
	)	
TRANSPORTATION INSURANCE COMPANY (NAIC#20494)	)	
	)	
VALLEY FORGE INSURANCE COMPANY (NAIC#20508)	)	
	)	

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division"), American Casualty Company of Reading PA (NAIC#20427) (hereinafter referred to as "American Casualty"), Continental Casualty Company (NAIC#20443) (hereinafter referred to as "Continental"), National Fire Insurance Company of Hartford (NAIC#20478) (hereinafter referred to as "National Fire"), Transcontinental Insurance Company (NAIC#20486) (hereinafter referred to as "Transcontinental"), Transportation Insurance Company (NAIC#20494) (hereinafter referred to as "Transportation"), and Valley Forge Insurance Company (NAIC#20508) (hereinafter referred to as "Valley Forge"), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter, "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, American Casualty, Continental, National Fire, Transcontinental,

Transportation and Valley Forge have been granted certificates of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Division conducted a Market Conduct Examination of American Casualty, Continental, National Fire, Transcontinental, Transportation and Valley Forge and prepared report number 1104-38-TGT; and

WHEREAS, the report of the Market Conduct Examination revealed that:

1. In some instances, American Casualty failed to file with the Director large deductible, non-standard (individual risk) rated policies in violation of §287.947.1[1] and §287.310;

2. American Casualty failed to file with the Director its premium audit practice of applying a 1.50 or 3.00 premium factor to estimated payroll for insureds that failed to cooperate during final audit in violation of §287.947;

3. American Casualty applied an incorrect experience rating factor in violation of §287.947.1, §287.950 and §287.955;

4. American Casualty applied an incorrect schedule rating credit in violation of §287.947.1, §287.950, 20 CSR 500-4.100 (7) (D) 1 and 20 CSR 300-2.200;

5. American Casualty applied an incorrect terrorism rate in violation of §287.947.1 and §287.955.3;

6. In some instances, American Casualty failed to document applied schedule rating factors in violation of §287.937;

7. In some instances, Continental failed to file with the Director large deductible, non-standard (individual risk) rated policies in violation of §287.947.1 and §287.310;

9. Continental failed to file with the Director its premium audit practice of applying a 1.50 or 3.00 premium factor to estimated payroll for insureds that failed to cooperate during final audit in violation of §287.947;

10. Continental failed to document an applied Missouri contracting class premium credit in violation of §287.947.1, §287.950 and §287.955;

11. In some instances, Continental failed to document the basis for application of

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1 All references, unless otherwise noted, are to Missouri Revised Statutes 2000, as amended.

scheduled rating credits or debits in violation of §287.937;

12. National Fire failed to file with the Director its premium audit practice of applying a 1.50 or 3.00 premium factor to estimated payroll for insureds that failed to cooperate during final audit in violation of §287.947;

13. In some instances, National Fire failed to document the basis for application of scheduled rating credits or debits in violation of §287.937;

14. In some instances, Transportation failed to file with the Director large deductible, non-standard (individual risk) rated policies in violation of §287.947.1;

15. Transportation failed to file with the Director its premium audit practice of applying a 1.50 or 3.00 premium factor to estimated payroll for insureds that failed to cooperate during final audit in violation of §287.947;

16. Transportation failed to document the basis for application of the Missouri contracting class premium credit in violation of §287.947.1, §287.950 and 20 CSR 300-2.200;

17. Transportation incorrectly assessed premium for a Foreign Voluntary Compensation exposure in violation of §287.947.1 and §287.950;

18. In some instances, Valley Forge failed to file with the Director large deductible, non-standard (individual risk) rated policies in violation of §287.947.1;

19. Valley Forge failed to file with the Director its premium audit practice of applying a 1.50 or 3.00 premium factor to estimated payroll for insureds that failed to cooperate during final audit in violation of §287.947;

20. In some instances, Valley Forge failed to document applied schedule rating factors in violation of §287.937;

21. In some instances, Valley Forge applied an incorrect experience rating factor in violation of §287.947.1, §287.950 and §287.955; and

22. Valley Forge incorrectly applied an NCCI class rate in violation of §287.947.1 and §287.955.

WHEREAS, American Casualty, Continental, National Fire, Transcontinental, Transportation and Valley Forge do not agree with certain findings in the examination, but the

issues raised during or subsequent to the examination have been resolved; and

WHEREAS, it is the position of American Casualty, Continental, National Fire, Transcontinental, Transportation and Valley Forge that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed facts and legal allegations and that the remedial action and payment of forfeiture is merely to resolved the Market Conduct Examinations investigation; and

WHEREAS, the Division, American Casualty, Continental, National Fire, Transcontinental, Transportation and Valley Forge have agreed to resolve the issues raised in the Market Conduct Examinations as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** American Casualty, Continental, National Fire, Transcontinental, Transportation and Valley Forge agree to take remedial action bringing each into compliance with the statutes and regulations of Missouri and agree to maintain those remedial actions at all times, to reasonably assure that the errors noted in the examination report do not recur. Such remedial actions shall include, but not be limited to, the following:

1. American Casualty, Continental, National Fire, Transcontinental, Transportation and Valley Forge agree to file with the Director rating plans for all individually rated large deductible workers compensation insurance policies within 30 days of the effective date of the policy;

2. American Casualty, Continental, National Fire, Transcontinental, Transportation and Valley Forge agree that it will comply with NCCI rule 02-MO-2013 with respect to its practice of applying a premium factor to estimated payroll for insureds that fail to cooperate during final audit

C. **Compliance.** American Casualty, Continental, National Fire, Transcontinental, Transportation and Valley Forge agree to file documentation with the Division within 90 days of the entry of a final order of all remedial action taken to implement compliance with the terms of this stipulation.

D. **Voluntary Forfeiture.** American Casualty agrees, voluntarily and knowingly, to surrender and forfeit the sum of $161,950, such sum payable to the Missouri State School Fund, in accordance with §374.280. Continental agrees, voluntarily and knowingly, to surrender and forfeit the sum of $5,800, such sum payable to the Missouri State School Fund, in accordance with §374.280. National Fire agrees, voluntarily and knowingly, to surrender and forfeit the sum of $2,800, such sum payable to the Missouri State School Fund, in accordance with §374.280. Transportation agrees, voluntarily and knowingly, to surrender and forfeit the sum of $4,950, such sum payable to the Missouri State School Fund, in accordance with §374.280. Valley Forge agrees, voluntarily and knowingly, to surrender and forfeit the sum of $9,450, such sum payable to the Missouri State School Fund, in accordance with §374.280.

E. **Other Penalties.** The Division agrees that it will not seek penalties against American Casualty, Continental, National Fire, Transcontinental, Transportation and Valley Forge other than those agreed to in this Stipulation, for the conduct found in Market Conduct Examinations 1104-38-TGT, 1104-39-TGT, 1104-40-TGT, 1104-41-TGT, 1104-42-TGT and 1104-43-TGT.

F. **Waivers.** American Casualty, Continental, National Fire, Transcontinental, Transportation and Valley Forge, after being advised by legal counsel, do hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above referenced Market Conduct Examinations.

G. **Non-Admission**. Nothing in this Stipulation shall be construed as an admission by American Casualty, Continental, National Fire, Transcontinental, Transportation and Valley Forge, this Stipulation of Settlement and Voluntary Forfeiture being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above referenced Market Conduct Examinations.

H. **Changes.** No changes to this stipulation shall be effective unless made in writing and agreed to by all signatories to the stipulation.

I. **Governing Law.** This Stipulation of Settlement and Voluntary Forfeiture shall be

governed and construed in accordance with the laws of the State of Missouri.

J. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation of Settlement and Voluntary Forfeiture.

K. **Effect of Stipulation.** This Stipulation of Settlement and Voluntary Forfeiture shall not become effective until entry of a Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Director") approving this Stipulation.

L. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation of Settlement and Voluntary Forfeiture and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 4/3/14

Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: 3/31/14

SVP and Chief Compliance Officer
American Casualty Company of Reading PA

DATED: 3/31/14

SVP and Chief Compliance Officer
Continental Casualty Company

DATED: 3/31/14

SVP and Chief Compliance Officer
National Fire Insurance Company of Hartford

DATED: 3/31/14

SVP and Chief Compliance Officer
Transcontinental Insurance Company

DATED: 3/31/14

SVP and Chief Compliance Officer
Transportation Insurance Company

DATED: 3/31/14

SVP and Chief Compliance Officer
Valley Forge Insurance Company

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

FINAL MARKET CONDUCT EXAMINATION REPORT
Of the Property and Casualty Business of

American Casualty Company of Reading, Pennsylvania
NAIC # 20427

MISSOURI EXAMINATION # 1104-38-TGT

NAIC EXAM TRACKING SYSTEM # MO341-M61

April 3, 2014

Home Office

333 South Wabash
Chicago, IL 60604

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FOREWORD

This is a targeted market conduct examination report of American Casualty Company of Reading, Pennsylvania, (NAIC Code # 20427). This examination was conducted at the Company's branch office located in Chesterfield, Missouri.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products, or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- "Company" or "American Casualty" refers to American Casualty Company of Reading, Pennsylvania;
- "CNA" refers to CNA Financial Corporation.
- "CSR" refers to the Missouri Code of State Regulation;
- "DIFP" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Director" refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Division" refers to the Department of Labor, Division of Workers' Compensation;
- "NAIC" refers to the National Association of Insurance Commissioners;
- "NCCI" refers to the National Council on Compensation Insurance, Inc., and;
- "RSMo" refers to the Revised Statutes of Missouri.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2006, through May 31, 2011, unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination was a targeted examination involving the following business functions and lines of business: complaints and underwriting for workers compensation policies.

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark for underwriting and trade practices is 10%. The NAIC benchmark error rate for claims practices is seven percent (7%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized, however, for reviews not applying the general business practice standard.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

"American Casualty Company of Reading, Pennsylvania ("ACCO"), a property and casualty insurance company, was incorporated under the laws of the Commonwealth of Pennsylvania on July 31, 1902 and commenced business on January 1, 1903. On October 1, 1963, Continental Casualty Company acquired all of ACCO's outstanding shares of common stock from Winterthur Swiss Insurance Company. As of December 31, 2003, Continental Casualty Company is a wholly-owned subsidiary of The Continental Corporation, an insurance holding corporation domiciled in the State of New York."

American Casualty Company of Reading, Pennsylvania is a subsidiary of the CNA Financial Corporation which is owned by Loews Corporation, a financial holding company.

The Company is licensed in all 50 states, District of Columbia and Puerto Rico. American Casualty currently operates in all the aforementioned jurisdictions. Its products are distributed primarily through independent agencies and brokerages.

The Company is licensed by the DIFP under Chapter 379, RSMo, to write property and casualty insurance in Missouri as set forth in its Certificate of Authority.

EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of American Casualty Company of Reading, Pennsylvania. The examiners found the following principal areas of concern:

- The Company failed to file 33 large deductible, non-standard (individual risk) rated policies with DIFP as required.
- American Casualty failed to file another 291 large deductible, non-standard (individual risk) rated policies that were identified through computerized analysis.
- In thirteen instances, the Company's premium audit procedures resulted in an application of a payroll factor of 1.5 or 3.0 to estimated payroll, depending on market segmentation, for insureds that were uncooperative during the premium audit. These rating factors were not filed with the DIFP.
- In one instance, American Casualty applied an incorrect experience rating factor, resulting in a $1,088 premium undercharge.
- In one instance, the Company failed to document an applied schedule rating credit, resulting in a $129 premium undercharge.
- In one instance, American Casualty applied an incorrect terrorism rate, resulting in a $10 premium undercharge.
- In three instances, the Company failed to document the basis for application of scheduled rating credits or debits.

The examiners requested that the Company make refunds concerning underwriting premium overcharges and claim underpayments found for amounts greater than $5.00 during the examination if any were found.

Various non-compliant practices were identified, 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 the Missouri insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

EXAMINATION FINDINGS

I. UNDERWRITING AND RATING PRACTICES

This section of the report is designed to provide a review of the Company's underwriting and rating practices. These practices included the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage. Examiners reviewed how the Company handled new and renewal policies to ensure that the Company underwrote and rated risks according to their own underwriting guidelines, filed rates, and Missouri statutes and regulations.

Because of the time and cost involved in reviewing each policy/underwriting file, the examiners utilize sampling techniques in conducting compliance testing. A policy/underwriting file is determined in accordance with 20 CSR 100-8.040 and the NAIC Market Regulation Handbook. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.930 – 375.948 and §375.445) and compared with the NAIC benchmark error rate of ten percent (10%). Error rates in excess of the NAIC benchmark error rate are presumed to indicate a general practice contrary to the law. Error rates indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

The examiners requested the Company's underwriting and rating manuals for the line of business under review. This included all rates, guidelines, and rules that were in effect on the first day of the examination period and at any point during that period to ensure that the examiners could properly rate each policy reviewed.

The examiners also reviewed the Company's procedures, rules, and forms filed by or on behalf of the Company with the DIFP. The examiners randomly selected the policies for review from a listing furnished by the Company.

The examiners also requested a written description of significant underwriting and rating changes that occurred during the examination period for underwriting files that were maintained in an electronic format.

An error can include, but is not limited to, any miscalculation of the premium based on the information in the file, an improper acceptance or rejection of an application, the misapplication of the Company's underwriting guidelines, incomplete file information preventing the examiners from readily ascertaining the Company's rating and underwriting practices, and any other activity indicating a failure to comply with Missouri statutes and regulations.

Workers Compensation Review

Reviews are conducted to confirm that workers compensation carriers that issue large deductible, non-standard policies, in addition to traditional workers compensation policies, are in compliance with the rate filing requirements found in §§ 287.310, 287.947, RSMo.

Workers Compensation carriers are also evaluated to ensure total premiums are being reported as well as correct methods for determining assessments and remittance of the required second injury fund and administrative surcharges. The review includes carriers' deductible policy forms and rules for compliance with § 287.310 Subsection 4, RSMo, regarding the presumption that a net reporting plan is offered unless the insured elects a gross reporting plan.

NCCI statistical data is reviewed to analyze utilization of Individual Rate Premium Modification (IRPM), also known as schedule rating, in the form of applied debits or credits. Schedule rating is intended to be used to accurately rate an individual employer's business operation. Descriptions of the risk categories are to be based on loss-related factors that can be objectively determined.

A. Forms and Filings

The examiners reviewed the Company's policy and contract forms to determine its compliance with filing, approval, and content requirements to ensure that the contract language was not ambiguous or misleading and was adequate to protect the insured.

The following are the results of the reviews:

1. The examiners discovered that American Casualty failed to make a filing with DIFP for 324 large deductible, non-standard (individual risk) rated policies as required. The individual files are detailed in Section B, Underwriting and Rating of this report.

   References: §§ 287.310 and 287.947.1, RSMo.

2. American Casualty engaged in the premium audit practice of applying a 1.50 or 3.00 premium factor, depending on market segmentation, to estimated payroll for insureds that failed to cooperate during the audit. The Company failed to file these

additional rating factors with the DIFP. The individual files are detailed in Section B, Underwriting and Rating of this report.

Reference: §287.947.1, RSMo.

B. Underwriting and Rating

The examiners reviewed applications for coverage that were issued, modified, or declined by the Company to determine the accuracy of rating and adherence to prescribed and acceptable underwriting criteria.

The following are the results of the reviews:

1. Workers Compensation

Field Size: 1,248

Sample Size: 110

Type of Sample: Random

Number of Errors: 50

The examiners discovered the following errors during this review.

1. American Casualty failed to file the following 33 large deductible, non-standard (individual risk) rated policies with DIFP as required.

No	Policy No	Effective Date	No	Policy No	Effective Date
1	2088599899	8/1/2006	10	4014099222	10/1/2009
2	2088599529	6/1/2006	11	2091220237	10/1/2007
3	2074970575	7/31/2006	12	2057347862	10/1/2008
4	2088597618	7/1/2006	13	2098343901	10/1/2011
5	2095788532	7/1/2009	14	2057337557	10/1/2009
6	2098356034	1/1/2008	15	2083559023	7/1/2007
7	2057333301	7/19/2006	16	2091216558	12/1/2006
8	2095783900	5/1/2007	17	4014102670	10/1/2010
9	2057341124	7/25/2009	18	2095784609	5/1/2008

No	Policy No	Effective Date	No	Policy No	Effective Date
19	2076510037	7/20/2007	27	2088601005	7/1/2006
20	2074973833	11/1/2007	28	2079593786	4/1/2007
21	2057345092	8/1/2007	29	2074971094	10/1/2006
22	2095788269	1/1/2008	30	2098342389	9/1/2010
23	2098341176	11/1/2009	31	2088600727	9/15/2006
24	2098343753	8/1/2011	32	2091219248	9/15/2008
25	2057291034	4/1/2007	33	2076486323	8/1/2010
26	2077468869	10/1/2010			

References: §§ 287.310 and 287.947.1, RSMo.

2. A computerized analysis revealed that American Casualty failed to file the following additional 291 large deductible, non-standard (individual risk) rated policies with DIFP as required.

No	Policy No	Effective Date	No	Policy No	Effective Date
1	2083558227	8/1/2007	22	2083558759	7/1/2007
2	2083558227	8/1/2008	23	2091220402	7/1/2009
3	2083556283	10/1/2006	24	2091222151	7/1/2008
4	2091218844	10/1/2008	25	4014101700	7/1/2010
5	2091219315	10/1/2007	26	2077470606	7/1/2006
6	2091219671	10/1/2009	27	2095784707	7/1/2008
7	4014102314	10/1/2010	28	2095787915	7/1/2007
8	4014102846	10/1/2011	29	2074970723	9/1/2006
9	2076485513	6/1/2010	30	2074973380	9/1/2007
10	2091214020	6/1/2007	31	2074975159	9/1/2008
11	2098356227	6/1/2008	32	2074976862	9/1/2011
12	4014098975	6/1/2009	33	2074978546	9/1/2009
13	4014104547	6/1/2011	34	2074979809	9/1/2010
14	2047840760	4/28/2008	35	2071250486	5/1/2007
15	2047840760	4/28/2009	36	2057248118	1/31/2006
16	2083559104	9/1/2008	37	2077468578	1/31/2008
17	2074973198	7/31/2007	38	2077468578	6/1/2008
18	2074975114	7/31/2008	39	2095783783	1/31/2007
19	2074975274	9/1/2008	40	2095788000	7/1/2007
20	2079600896	7/1/2006	41	2095788532	7/1/2008
21	2083557868	7/1/2011	42	2074973489	10/1/2007

No	Policy No	Effective Date	No	Policy No	Effective Date
43	2074975386	10/1/2008	83	2083558387	10/1/2008
44	2088596808	4/1/2006	84	2091222618	10/1/2010
45	2079597367	1/1/2006	85	4014097678	10/1/2009
46	2091220738	1/1/2010	86	4014107531	10/1/2011
47	4014102586	1/1/2011	87	2091216009	10/1/2006
48	2091216821	1/1/2007	88	2091220139	10/1/2007
49	4014097096	1/1/2009	89	4014100031	10/1/2010
50	2071096734	1/1/2008	90	2098356373	10/1/2008
51	2074967997	1/1/2006	91	4014101101	10/1/2011
52	2095787333	1/1/2007	92	2071062695	10/1/2010
53	2057344301	12/6/2006	93	2083558132	10/1/2008
54	2095784920	10/1/2009	94	4014097812	10/1/2009
55	2095784920	10/1/2010	95	2095784108	6/1/2008
56	2095784920	10/1/2011	96	2095789423	6/1/2009
57	2057248409	5/1/2006	97	2095789938	6/1/2010
58	2095784500	5/1/2008	98	2095789938	6/1/2011
59	2095784500	5/1/2009	99	2057347862	10/1/2009
60	2095784500	5/1/2010	100	2098343901	10/1/2010
61	2095784500	5/1/2011	101	2057337557	10/1/2008
62	2057337560	10/1/2008	102	2091222246	7/1/2008
63	2083554968	1/1/2006	103	2057249205	10/1/2006
64	2083554968	1/1/2007	104	2095783203	10/1/2007
65	2083554968	1/1/2008	105	2095785209	10/1/2010
66	2091218987	1/1/2009	106	2095785713	10/1/2008
67	2091218987	1/1/2010	107	2095786201	10/1/2009
68	2091218987	1/1/2011	108	2095786604	10/1/2011
69	2057341124	7/15/2006	109	2076488587	7/1/2006
70	2057341124	7/15/2007	110	2091222358	7/1/2008
71	2057341124	7/25/2008	111	2091222358	7/1/2009
72	2057341124	7/25/2010	112	2091222358	9/1/2009
73	2057341124	7/25/2011	113	4014101406	11/1/2009
74	2057340586	12/27/2007	114	4014101955	11/1/2010
75	2079597031	1/1/2006	115	4014105925	11/1/2011
76	2091216740	1/1/2007	116	2091218858	10/1/2008
77	2091222022	1/1/2008	117	2091220285	10/1/2007
78	2098356793	1/1/2009	118	2091220433	10/1/2009
79	2074971130	10/1/2006	119	4014105181	10/1/2011
80	4014098717	12/31/2008	120	2057340023	5/15/2009
81	4014098717	12/31/2009	121	2057340023	5/15/2007
82	2076508708	8/1/2006	122	2057340023	5/15/2008

No	Policy No	Effective Date	No	Policy No	Effective Date
123	1066791548	1/1/2009	163	2057339583	3/1/2008
124	2057337039	11/1/2008	164	2057339583	3/1/2009
125	2057339132	11/1/2006	165	2074971385	11/1/2006
126	2057340426	11/1/2007	166	2074976246	3/1/2009
127	2082574607	11/1/2010	167	2076508191	4/16/2006
128	2082574803	11/1/2011	168	2057345092	8/1/2006
129	2098342280	11/1/2009	169	4014097499	10/1/2009
130	2057248166	2/1/2006	170	2047857297	10/1/2006
131	2057248507	5/1/2006	171	2079596946	1/1/2006
132	2095784013	5/1/2007	172	2083558065	5/17/2007
133	2095784609	5/1/2009	173	2057341740	1/1/2006
134	2095784609	5/1/2010	174	2049207754	4/30/2006
135	2095784609	5/1/2011	175	2049207835	4/30/2007
136	2057249009	10/1/2006	176	2049207835	4/30/2008
137	2095784304	10/1/2007	177	2049207835	4/30/2009
138	2095784304	10/1/2008	178	2057348896	6/1/2009
139	2095784304	10/1/2009	179	2079597823	1/1/2006
140	2095784304	10/1/2010	180	2074973881	12/1/2007
141	2095784304	10/1/2011	181	2074975775	12/1/2008
142	2095784531	6/1/2011	182	2095786344	10/1/2009
143	4014097373	4/1/2011	183	2095786747	10/1/2011
144	2071247118	5/1/2007	184	2057341902	2/1/2006
145	2076509051	9/1/2006	185	1079715166	9/1/2006
146	2076510362	9/1/2007	186	2057340281	9/1/2007
147	2082572906	9/1/2008	187	2057340281	11/1/2007
148	2082574087	9/1/2009	188	2057340281	11/1/2008
149	2082574557	9/1/2010	189	2057340281	11/1/2009
150	4025769002	9/1/2011	190	2079596381	1/1/2006
151	2076508871	7/20/2006	191	2077470878	11/1/2006
152	2074976294	3/1/2009	192	2095788059	11/1/2007
153	2082572713	7/20/2008	193	2095788059	11/1/2008
154	4014099740	3/1/2010	194	2057291034	4/1/2006
155	4014104323	3/1/2011	195	2083555456	4/1/2008
156	2088596050	6/10/2006	196	4014097339	4/1/2009
157	2091221078	6/10/2009	197	4014097339	4/1/2010
158	4014101678	6/10/2010	198	2077468516	5/10/2007
159	2091218133	6/10/2007	199	2077468516	5/10/2008
160	2091219380	6/10/2008	200	2077468516	5/10/2009
161	4014104564	6/10/2011	201	2077468516	5/10/2010
162	2057339583	3/1/2007	202	2077470119	5/10/2006

No	Policy No	Effective Date	No	Policy No	Effective Date
203	2091216463	12/16/2006	243	2082574302	1/1/2011
204	2088600825	9/1/2006	244	4014100921	6/1/2011
205	2091214731	9/1/2007	245	2074971015	9/29/2006
206	2091214731	9/1/2008	246	2074973508	9/29/2007
207	2091214731	11/1/2008	247	2057344721	5/15/2006
208	2091214731	1/29/2009	248	2095784822	12/1/2010
209	2091214731	2/26/2009	249	4014106007	12/1/2011
210	2091214731	4/29/2009	250	2079593786	4/1/2006
211	2091214731	5/29/2009	251	2098356972	4/1/2008
212	4014097065	6/15/2009	252	2098356972	4/1/2009
213	4014097065	2/1/2010	253	2098356972	4/1/2010
214	4014097065	4/1/2010	254	4014104239	4/1/2011
215	2074972066	1/14/2007	255	2057340121	7/1/2007
216	2074976070	1/14/2009	256	4014104967	8/14/2011
217	2074976070	1/14/2010	257	2057248345	6/1/2006
218	2074979440	1/30/2010	258	2095784108	6/1/2007
219	2074974206	1/14/2008	259	2071247524	5/1/2007
220	2074970902	9/15/2006	260	2074968728	4/1/2006
221	2077468869	10/1/2007	261	2057351958	7/1/2006
222	2077468869	10/1/2008	262	2076489710	8/1/2006
223	2077468869	10/1/2009	263	2083559183	10/3/2007
224	2077468869	10/1/2011	264	2083559183	10/3/2008
225	2071248320	5/1/2007	265	2083559183	10/3/2009
226	2077468516	5/10/2011	266	2091216074	10/3/2006
227	2088600775	8/1/2006	267	2057342435	5/1/2009
228	2091217984	8/1/2007	268	2057342435	5/1/2007
229	2091218830	8/1/2008	269	2057342435	5/1/2008
230	2057249138	8/17/2006	270	2057342435	5/1/2006
231	2077470461	6/15/2006	271	2088596016	7/1/2006
232	2098343641	7/1/2011	272	2049207897	5/1/2007
233	2074974318	2/1/2008	273	2049207897	5/1/2008
234	2074976120	2/1/2009	274	2074968650	3/31/2006
235	2074979311	2/1/2010	275	2095784402	11/1/2007
236	2074980457	2/1/2011	276	2098342389	9/1/2011
237	2076508109	3/15/2006	277	2098342389	9/1/2009
238	2076509700	3/15/2007	278	2057342984	9/1/2006
239	2076510622	3/15/2008	279	2071098791	3/1/2006
240	2082573604	3/15/2009	280	2071099293	11/1/2006
241	2082573201	1/1/2009	281	2074976926	10/1/2011
242	2082574302	1/1/2010	282	2091218665	10/1/2008

No	Policy No	Effective Date
283	2091219248	9/15/2007
284	4014099138	10/1/2009
285	4025754337	10/1/2010
286	2088600503	7/1/2006
287	2088600663	8/1/2006
288	2091215295	8/1/2009
289	2091218245	8/1/2007
290	2091218648	8/1/2008
291	4014103219	8/1/2011

References: §§ 287.310 and 287.947.1, RSMo.

3. American Casualty engaged in the premium audit practice of applying a 1.50 or 3.00 premium factor, depending on market segmentation, to estimated payroll for insureds that failed to cooperate during the audit. The Company failed to file with the DIFP the rates (additional factors) applied to the estimated payroll of uncooperative insureds at premium audit. In 13 instances, American Casualty applied these rates to estimated payroll of uncooperative insureds at premium audit.

No	Policy Number	Effective Date
1	4013512290	2/5/2009
2	4017988064	10/8/2010
3	2057706627	2/12/2009
4	4012354003	3/9/2011
5	4024343179	12/23/2010
6	4024186589	10/8/2010
7	4030705815	5/20/2011
8	4024250372	11/1/2010
9	4018378891	7/9/2010
10	4024359317	12/3/2010
11	4030613409	4/15/2011
12	4018155427	4/19/2011
13	4018190470	5/15/2011

Reference: §287.947.1, RSMo.

4. The Company applied an incorrect experience rating factor, resulting in a premium undercharge of $1,088.

Policy Number	Date Effective
2095784609	5/1/2008

References: §§ 287.947.1, 287.950, and 287.955, RSMo.

5. American Casualty applied an incorrect schedule rating credit of 25% that did not reflect the documented credit of 15%, resulting in a premium undercharge of $129.

Policy No	Date Effective
2072053381	8/15/2008

References: §§ 287.947.1, 287.287.950, 20 CSR 500-4.100(7)(D)1, and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040).

6. The Company applied an incorrect terrorism rate that resulted in a premium undercharge of $10.

Policy No	Date Effective
4024026292	8/10/2010

References: §§ 287.947.1, and 287.955.3, RSMo.

7. In three instances, American Casualty failed to document applied schedule rating factors regarding the basis for the scheduled debits or credits.

Policy No	Date Effective
2079593786 *	4/1/2007
2088537872	5/1/2008
4014420398	5/1/2009

References: §§ 287.937 and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040).

* Previously noted in in subsection 1.

C. Cancellations, Non-Renewals, Rescissions, and Declinations

The examiners reviewed policies that the carrier terminated at or before the scheduled expiration date of the policies and policies that were rescinded by the Company after the effective date of the policy.

The following are the results of the reviews:

1. Workers Compensation – Cancellations, Non-Renewals, & Declinations

Field Size: 19

Sample Size: 19

Type of Sample: Census

Number of Errors: 0

The examiners discovered no errors during this review.

II. COMPLAINTS

This section of the report is designed to provide a review of the Company's complaint handling practices. Examiners reviewed how the Company handled complaints to ensure it was performing according to its own guidelines and Missouri statutes and regulations.

Section 375.936(3), RSMo, requires companies to maintain a registry of all written complaints received for the last three years. The registry must include all Missouri complaints, including those sent to the DIFP and those sent directly to the Company.

The examiners verified the Company's complaint registry, dated January 1, 2006, through May 31, 2011. The registry contained a total of one workers compensation complaint. They reviewed all that went through DIFP none that did not come through the Department, but went directly to the Company.

The review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by §375.936(3), RSMo, and 20 CSR 300-2.200(3)(D) (as replaced by 20 CSR 100-8.040(3)(D), effective 7/30/2008).

The examiners discovered no issues or concerns.

III. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri law requires companies to respond to criticisms and formal requests within 10 calendar days. Please note that in the event an extension was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the time frame granted by the examiners. If the response was not received within that time period, the response was not considered timely.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received w/in time-limit, incl. any extensions	10	100%
Received outside time-limit, incl. any extensions	0	0%
No Response	0	0 %
Total	10	100 %

Reference: §375.205, RSMo and 20 CSR 100-8.040.

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
Received w/in time-limit, incl. any extensions	15	100%
Received outside time-limit, incl. any extensions	0	0%
No Response	0	0%
Total	15	100%

Reference: §374.205, RSMo and 20 CSR 100-8.040.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of American Casualty Company of Reading PA (NAIC #20427), Examination Number 1104-38-TGT. This examination was conducted by Gary Meyer, Gary Bird, and John Pfaender. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated June 20, 2013. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

4/3/2014

Jim Mealer — Date
Chief Market Conduct Examiner