

**DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

In re: )  
 ) Examination No. 0812-23-TGT  
American Interstate Insurance Company (NAIC #31895) )

**ORDER OF THE DIRECTOR**

NOW, on this 6<sup>TH</sup> day of OCTOBER 2011, Director John M. Huff, after consideration and review of the market conduct examination report of American Interstate Insurance Company (NAIC #31895), (hereafter referred to as "the Company") report numbered 0812-23-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, and the Stipulation of Settlement ("Stipulation"), does hereby adopt such report as filed. After consideration and review of the Stipulation, report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report is deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4), RSMo.

This order, issued pursuant to §§374.205.3(4) and 374.280, RSMo and §374.046.15. RSMo (Cum. Supp. 2010), is in the public interest.

IT IS THEREFORE ORDERED that, the Company 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 the Company shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place the 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 the Company shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$1,000, payable to the Missouri State School Fund.

IT IS SO ORDERED.

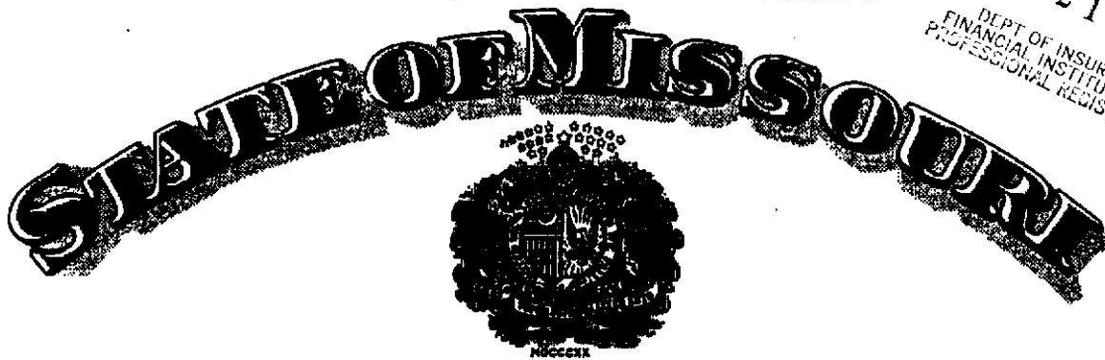
IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 6<sup>TH</sup> day of OCTOBER, 2011.

A handwritten signature in black ink, appearing to read "John M. Huff", is written over a horizontal line. The signature is stylized with a large loop on the left and a sharp hook on the right.

John M. Huff  
Director

HAND  
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SEP 21 2011  
DEPT. OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION



**DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

TO: American Interstate Insurance Co.  
2301 Hwy. 190 West  
DeRidder, LA 70634

RE: American Interstate Insurance Co. (NAIC #31895)  
Missouri Market Conduct Examination #0812-23-TGT

**STIPULATION OF SETTLEMENT  
AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by John M. Huff, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, hereinafter referred to as "Director," and American Interstate Insurance Co. (NAIC #21261), (hereafter referred to as "American Interstate"), as follows:

WHEREAS, John M. Huff is the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereafter referred to as "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 Interstate has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Department conducted a Market Conduct Examination of American Interstate and prepared report number 0812-23-TGT; and

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

1. In one instance, American Interstate failed to correctly apply the 2009 filed rates for the calculation of the policy's premium, causing an overcharge to the insured. The failure to use the correct rate, as it was filed with the DIFP, violates §§287.947 and 287.955.1, RSMo.

2. In some instances, American Interstate failed to file with the Division of Workers' Compensation the required notice that the employer had given to the employee of his or her termination of workers' compensation benefits, in violation of §287.203, RSMo, and 8 CSR 50-2.010(3).

3. As a result of the failure to file the notices described in the preceding paragraph, American Interstate also failed to maintain its books, records, documents, and other business records and to provide relevant materials, files, and documentation in such a way to allow the examiners to sufficiently ascertain the claims handling and payment practices of the Company, thereby violating §374.205, RSMo, 8 CSR 50-2.010(3) and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

WHEREAS, American Interstate hereby agrees to take remedial action bringing it into compliance with the statutes and agrees to maintain those corrective actions at all times including, but not limited to, taking the following actions:

1. American Interstate agrees to take corrective action to assure that the errors noted in the above-referenced market conduct examination reports do not recur; and

2. American Interstate agrees to review all of its Workers' Compensation policy files dated January 1, 2007, to the date a final Order is entered in this matter to determine if any other policyholders were overcharged. If any overcharges are found, the Company must issue refunds on rate adjustments at renewal. These refunds must include an additional payment of nine per cent (9%) interest per annum, pursuant to §408.020, RSMo. A letter must be included with the refund payments, indicating that "as a result of a Missouri Market Conduct examination," the Company owes a rate adjustment refund on the policy. Additionally, evidence must be provided to the Department that such payments have been made within 90 days after the date of renewal of any policy for which refunds are required.

WHEREAS, American Interstate, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, American Interstate hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0812-23-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$1,000.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of American Interstate to transact the business of insurance in the State of Missouri or the imposition of other sanctions, American Interstate does hereby

voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director and does surrender and forfeit the sum of \$1,000, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: \_\_\_\_\_

9/19/11

  
\_\_\_\_\_  
President  
American Interstate Insurance Company

# HUSCH BLACKWELL

Robert L. Hess II  
Partner  
235 East High Street, P.O. Box 1251  
Jefferson City, MO 65102-1251  
Direct: 573.761.1113  
Fax: 573.634.7854  
robert.hess@huschblackwell.com

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AUG 19 2011  
DEPT OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

August 19, 2011

*Via Hand Delivery*

Carolyn Kerr  
Senior Counsel  
Division of Insurance, Market Regulation  
301 West High Street, Room 530  
Jefferson City, MO 65101

Re: Market Conduct Exam No.: 0812-23-TTT  
American Interstate Insurance Company – NAIC No. 31895

Dear Ms. Kerr,

Our firm represents American Interstate Insurance Company (AIIC). I am submitting this letter in response to your letter dated July 19, 2011. Thank you for your courtesy in agreeing to extend the response date to Friday, August 19, 2011.

In your July 19 letter, you proposed a \$25,000 forfeiture amount for AIIC. That amount was calculated as \$1,000 per violation for one violation of § 287.947, RSMo, and 24 alleged violations of § 287.203, RSMo. From your previous correspondence with AIIC, we understand that you are basing the Division's authority to impose penalties on § 287.940, RSMo.

Section 287.940 authorizes the director to impose penalties for violations of "sections 287.930 to 287.975": "The director may, upon a finding that any person or organization has violated any provision of sections 287.930 to 287.975 impose a penalty of not more than one thousand dollars for each such violation, . . ." (emphasis added). Section 287.203, RSMo, is not one of the sections for which the legislature has authorized the director to impose fines. Accordingly, the portion of the fine attributable to those errors is outside of the director's statutory authority.

We note that the draft Market Conduct Examination Report also cites § 287.937 in connection with the notice issues. That citation, however, is inappropriate because AIIC did not violate that section. First, as with § 287.940, § 287.937's record-keeping requirements are limited to complying with the provisions of "sections 287.930 to 287.975": "These records shall be available at all reasonable times to enable the director to determine whether the activities of the advisory organization, insurer or association comply with the provisions of sections 287.930

# HUSCH BLACKWELL

Carolyn Kerr  
August 19, 2011  
Page 2

to 287.975.” § 287.937.2, RSMo (emphasis added). Accordingly, records required by other sections of Chapter 287 are not within the scope of this statute.

Moreover, nothing in the Market Conduct Examination Report indicates that AIIC violated this statute. Section 287.937.2 requires AIIC to keep records of its activities. It cannot keep records of activities that it did not conduct. AIIC's records reflect the activities that it actually took and it is not contending that it issued § 287.203 notices on the form provided for the Division for that purpose.<sup>1</sup> AIIC's records accurately reflect its experiences and activities and no violation of § 287.937.2 exists. Rather, the violations, if any, pertain to § 287.203, RSMo, only.

Statutes imposing penalties are strictly construed. *See, e.g., Schwab v. Nat'l Dealers Warranty, Inc.*, 298 S.W.3d 87, 92 (Mo. App. 2009); *Jerry Bennett Masonry, Inc. v. Crossland Constr. Co.*, 171 S.W.3d 81, 97 (Mo. App. 2005). Penalties may not be created by construction and cannot be imposed where the legislature has not clearly expressed its intent to provide for a penalty. *State ex rel. Danforth v. European Health Spa, Inc.*, 611 S.W.2d 259, 262 (Mo. App. 1980). Compliance with § 287.203 is expressly outside the scope of the Division's fining authority. We respectfully request that the Division therefore reduce the amount of the stipulated fine from \$25,000 to \$1,000. AIIC expressly reserves the right to challenge any decision to impose penalties for violations of § 287.203 in a hearing or on appeal.

In addition, on a technical note, we note that page 9 of the draft Market Conduct Examination Report still refers to “32 claims filed” for which AIIC did not send notices required by § 287.203, RSMo. As indicated in your correspondence and elsewhere on pages 9 and 10 of the draft Market Conduct Examination Report, we understand that that number has been reduced to 24 and that the reference to 32 should be changed accordingly.

We look forward to receiving your response. Please let us know if you have any questions regarding this letter.

Sincerely,



Robert L. Hess II

RLH:ls

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<sup>1</sup> AIIC has pointed out that, while the Division's notification form was not issued for these claims, all of the beneficiaries and the Division received notice of the termination through the stipulations and compromises that were executed to resolve these cases and that those stipulations and compromises served the same function as the Department's form as a practical matter.

# HUSCH BLACKWELL

Carolyn Kerr  
August 19, 2011  
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cc: Todd Walker (via email)  
Percy McCraney (via email)  
Harvey Tettlebaum



# AMERICAN INTERSTATE INSURANCE COMPANY

2301 Hwy. 190 West

DeRidder, LA 70634

• TELEPHONE: (337) 463-9052 • WATS: (800) 256-9052 • FAX: (337) 460-3550

October 29, 2010

Via FedEx # 7964-0625-4066

Ms Carolyn H. Kerr  
Senior Counsel, Market Conduct Section  
Department of Insurance Market Regulation  
301 West High Street, Room 530  
Jefferson City, MO 65101

RECEIVED  
NOV 03 2010  
DEPT OF INSURANCE  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

RE: Market Conduct Exam #0812-23-TGT

Dear Mr. Huff:

American Interstate Insurance Company (NAIC #31895) has reviewed the Draft Market Conduct Examination Report for Exam Number 0812-23-TGT.

The Executive Summary outlines two areas of concern:

DIFP Concern I: The examiners found one violation in the active workers' compensation underwriting.

AIIC Response I: This was an error made by the underwriter who failed to change the anniversary rating date at the renewal of the policy. At Mr. Meyer's (Missouri Chief Examiner) request, American Interstate paid the difference in premium and the interest accrued to date. Because this was a current in-force policy, we believe the error would have been discovered at renewal or final audit and the premium would have been adjusted accordingly at that time.

DIFP Concern II: The examination found 32 violations in the workers' compensation paid indemnity claims.

AIIC Response II: We concur that the exam found a number of instances that the Claims division failed to file the required notice with the Division of Workers' Compensation that employee benefits were terminated. We have reviewed our internal procedures and found that these were a result of (1) employee/adjuster turnover with new adjusters not following through with our proper termination procedures and (2) many of the claims were the subject of litigation in which adjusters relied on the attorneys to complete the notification process. Most, if not all, claims that involve litigation end with a settlement for the involved parties. In Missouri, the Workers' Compensation settlement is approved by and filed with the Administrative Law Judge that represents the Division of Workers' Compensation.

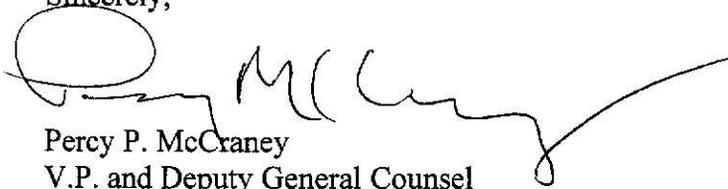
American Interstate Insurance Company  
RE: Market Conduct Exam #0812-23-TGT  
Page 2

We have instructed and proceduralized notice to the Division of Workers' Compensation in **all** instances whether the claim resulted in litigation and/or settlement.

In closing, we believe the examination process was performed by the Missouri examiners in a professional and equitable manner. Mr. Meyer and his staff were excellent to work with.

If we can be of additional assistance, please contact us.

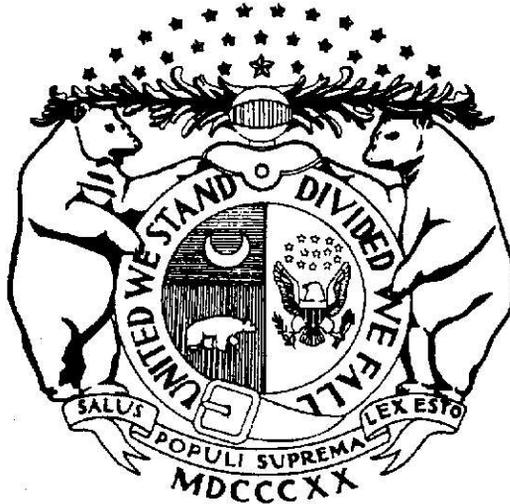
Sincerely,

A handwritten signature in black ink, appearing to read 'Percy P. McCraney', with a long horizontal flourish extending to the right.

Percy P. McCraney  
V.P. and Deputy General Counsel

PPM/mm

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



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

**American Interstate Insurance Company**  
**NAIC # 31895**

**MISSOURI EXAMINATION # 0812-23-TGT**

**NAIC EXAM TRACKING SYSTEM # M0268-M93**

**October 4, 2011**

**Home Office**  
**2301 HWY 190 West**  
**Deridder, Louisiana, 70634**

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## FOREWORD

This is a targeted market conduct examination report of the American Interstate Insurance Company, (NAIC Code # 31895). This examination was conducted at the Office of DIFP, 301 West High Street, Jefferson City, Missouri. 65102.

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” refers to American Interstate Insurance Company;
- “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;  
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, §§ 287.937.1, 374.110, 374.190, 374.205, 375.445, and 375.938, 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, 2007, through December 31, 2009, 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: Company Complaints, Workers' Compensation Active Underwriting, and Workers' Compensation Paid Indemnity Claims.

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 error rate for trade practices is ten percent (10%). Error rates exceeding this benchmark are presumed to indicate a general business practice. The benchmark error rate was 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.

The Company was incorporated in Georgia, under the name of American Interstate Insurance Company of Georgia, on October 24, 1973. The Articles of Incorporation were filed November 9, 1973. The Company commenced business on April 12, 1974, with the stated purpose of engaging in the business of a property, casualty, marine and transportation insurer.

The Company re-domesticated to Louisiana and amended its Articles of Incorporation on June 30, 1993 (approved, by the Commissioner of Insurance, for recordation on July 12, 1993). At that time the "of Georgia" was dropped from the name. The new name became American Interstate Insurance Company. The Articles of Incorporation were amended and restated in 1998 to change the number of directors, to provide procedures for nominating directors, and to state that all officers shall be elected annually at the first meeting after the annual shareholder's meeting. Amendment and restatement of the articles of Incorporation, approved by the Louisiana Commissioner of Insurance on December 12, and recorded December 17, 2003, changed the number of directors to not less than five nor more than 25 and set the number at six. The last amendment and restatement of the Bylaws was August 15, 2001.

In December 1993, the Company acquired all the issued and outstanding stock of Silver Oak Casualty, Inc. (Silver Oak), DeRidder, Louisiana. This acquisition was approved by the Louisiana Department of Insurance (LDOI) on December 20, 1993. In 2004, the Company formed a Texas domiciled subsidiary, American Interstate Insurance Company of Texas (AIICTX) to write workers' compensation risks in Texas.

American Interstate Insurance Company is wholly owned by Amerisafe Inc., a holding company domiciled in the state of Texas.

In 1985, Gulf Universal Holdings, Inc. (now Amerisafe, Inc.), a Texas Insurance Holding Company, acquired all outstanding shares of the Company from AIE. On September 2, 1997, Amerisafe, Inc. was re-capitalized by the acquisition of approximately 68% of its issued and outstanding capital stock by Welsh, Carson, Anderson, and Stowe VII, L. P., a Delaware limited partnership making Welsh, Carson, Anderson, and Stowe VII, L. P. the ultimate controlling entity at the time. This acquisition was approved by the LDOI on August 17, 1997. On November 18, 2005, Amerisafe completed its initial public offering, issuing 8 million shares of common stock at \$9 per share. A second public offering, held November 20, 2006, offered 7,888,326 shares of common stock by its selling shareholders. Welsh Carson, and Stowe sold its remaining shares in Amerisafe, Inc. at that time and it no longer owns any shares in Amerisafe, Inc. common stock. As of July 15, 2010, FMR, LLC owns 10.036% and is only Amerisafe shareholder with 10% or more stock. Presently, we are publicly traded over NASDAQ (symbol AMSF).

## EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of American Interstate Insurance Company. The examiners found the following principal areas of concern:

- The examiners found one violation in the active workers' compensation underwriting.
- The examiners found 24 violations in the workers' compensation paid indemnity claims

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.

## 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 business practice contrary to the law. Errors 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 systematically 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.

**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 is not ambiguous or misleading and is adequate to protect those insured. The examiners found no general business practice issues in this review.

**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.

**1. Workers' Compensation Underwriting (New and Renewal)**

Field Size:	420
Sample Size:	107
Type of Sample:	Random
Number of Errors:	1

The Company did not apply the 2009 filed rates for the calculation of the premium for this policy. This caused an overcharge to the insured in the amount of \$431 and \$32 in interest for a total amount of \$463.

**Policy Number:** AVWCMO1853382009

**Reference:** §§287.947, 287.955.1 and 408.020, RSMo.

**C. Workers' Compensation Terminations**

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.

**1. Workers' Compensation Terminations**

Field Size:	100
Sample Size:	100
Type of Sample:	Census
Number of Errors:	0

The examiners discovered no general business practice issues in this review

#### **D. Practices Not in the Best Interest of Consumers**

The examiners also looked for items that were not in the best interest of consumers. Not only could these practices be harmful to the insured, they may expose the company to potential liability.

The examiners discovered no general business practice issues in this review.

## **II. CLAIMS PRACTICES**

This section of the report is designed to provide a review of the Company's claims handling practices. Examiners reviewed how the Company handled claims to determine the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners reviewed a statistical sampling of the claims processed. The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. The review consisted of Missouri claims selected from a listing furnished by the Company with a date of closing from January 1, 2007, through December 31, 2009.

Missouri statutes require the Company to disclose to first-party claimants all pertinent benefits, coverage or other provisions of an insurance policy under which a claim is presented. Claim denials must be given to the claimant in writing, and the Company must maintain a copy in its claim files.

### **1. Workers' Compensation Paid Indemnity Claims**

Field Size:	232
Sample Size:	232
Type of Sample:	Census
Errors:	24
Error Ratio:	10.3%

In the following 24 claim files the employer/insurer failed to notify the employee of the termination of benefits/compensation pursuant to §287.203, RSMo., within 10 days of when such benefits were due, and failed to provide the Division with a copy of the notice.

Some of the claim files contained a written letter to the employee or his/her/attorney notifying the employee of the termination of compensation, but the Company did not notify the Division of such termination. Some of the claim files contained Stipulations of Settlement, executed by the employee and approved by a Division of Workers Compensation administrative law judge, that notified the employee and

his/her attorney of the termination of compensation. But these Stipulations did not provide the required notice within 10 days of when such benefits were due.

**Reference:** §§287.203 and 374.205, RSMo, 8 CSR 50-2.010 (3) and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08)

**Claim Numbers:**

200443771	200549389	200549889	200549945	200552634
200654237	200654406	200654730	200655516	200872942
200658270	200659692	200659989	200553073	200765128
200762091	200761833	200661482	200762494	200871114
200766496	200767446	200661152	200768223	

**C. Practices Not in the Best Interest of Consumers**

The examiners also looked for items that were not in the best interest of consumers. Not only could these practices be harmful to the insured, they may expose the company to potential claims.

The examiners discovered no general business practice issues in this review.

**III. 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, 2007, through December 31, 2009. The registry did not have any complaints.

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 100-8.240.

The examiners discovered no issues or concerns.

#### **IV. 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**

<u>Calendar Days</u>	<u>Number of Criticisms</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	5	100%
Received outside time-limit, incl. any extensions	0	0 %
<u>No Response</u>	<u>0</u>	<u>0 %</u>
Total	5	100%

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040.

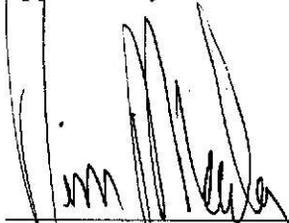
##### **B. Formal Request Time Study**

<u>Calendar Days</u>	<u>Number of Requests</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	8	100%
Received outside time-limit, incl. any extensions	0	0%
<u>No Response</u>	<u>0</u>	<u>0%</u>
Total	8	100%

Reference: §374.205.2(2), 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 Interstate Insurance Company (NAIC #31895), Examination Number 0812-23-TGT. This examination was conducted by Gary T. Meyer, Gerald Mitchitsch, Darren Jordan, and Shelly Herzing. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated September 23, 2010. 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.



10/4/2011

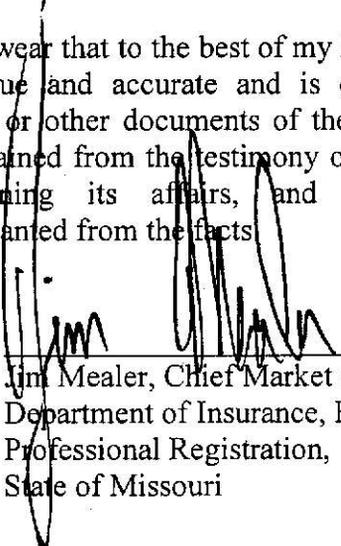
Jim Mealer  
Chief Market Conduct Examiner

Date

STATE OF Missouri )  
COUNTY OF Cole )

**VERIFICATION OF WRITTEN REPORT OF EXAMINATION**

I, Jim Mealer, on my oath swear that to the best of my knowledge and belief, the attached Examination Report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as reasonably warranted from the facts.

  
\_\_\_\_\_  
Jim Mealer, Chief Market Conduct Examiner  
Department of Insurance, Financial Institutions &  
Professional Registration,  
State of Missouri

Sworn to and subscribed before me this 4<sup>th</sup> day of October, 2011.

Kimberly Landers  
Notary

My commission expires: May 18, 2012

