



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

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

In re:)
) Examination No. 1104-15-TGT
Amerisure Mutual Insurance Company (NAIC #23396))
)

ORDER OF THE DIRECTOR

NOW, on this 27th day of AUGUST, 2012, Director John M. Huff, after consideration and review of the market conduct examination report of Amerisure Mutual Insurance Company (NAIC #23396) (hereafter referred to as "Amerisure"), report number 1104-15-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, reports, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are 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 Amerisure 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 Amerisure 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.

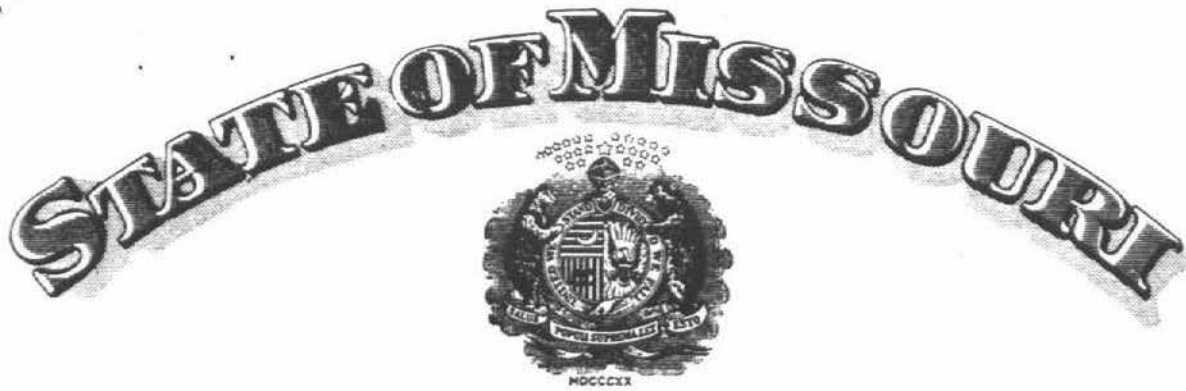
IT IS FURTHER ORDERED that Amerisure shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$38,750.00 payable to the Missouri State School Fund.

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 27th day of AUGUST, 2012.


John M. Huff
Director





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

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

TO: Amerisure Mutual Insurance Company
26777 Halsted Road
PO Box 2060
Farmington Hills, MI 48333-2060

RECEIVED
AUG 20 2012
DEPT OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

RE: Amerisure Mutual Insurance Company (NAIC #23396)
Missouri Market Conduct Examination #1104-15-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 Amerisure Mutual Insurance Company (NAIC #23396), (hereafter referred to as "Amerisure"), 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, Amerisure 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 Amerisure and prepared report number 1104-15-TGT; and

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

1. In 30 instances, Amerisure failed to file large deductible workers compensation

policies with the Director in violation of §§287.310.1¹ and 287.947.1;

2. In 20 instances, Amerisure did not apply the correct filed terrorism rate and/or did not apply correct rating factors in violation of §287.947.1 and §287.955.3.

WHEREAS, Amerisure hereby agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those corrective actions at all times, to reasonably assure that the errors noted in the above-referenced market conduct examination reports do not recur. These remedial actions shall include the following:

1. Amerisure agrees to file the 30 large deductible workers compensation policies referenced on pages 10-11 of the examination report with the Director within 30 days of the date of the order closing this exam.

2. Amerisure agrees to file all large deductible, non-standard, individual risk rated workers compensation policies with the Director not later than thirty (30) days after the effective date of the policy.

3. Amerisure agrees to review all individually rated large deductible workers compensation insurance policies issued from January 1, 2006 to the date of the Order closing this examination to determine if the insured is entitled to any refund of premium or if the Second Injury Fund or Administrative Surcharge was incorrectly paid. If the policyholder is entitled to a refund of premium, the Company must issue any refund due to the insured, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required, pursuant to §408.020. A letter must be included with the payment, indicating that "as a result of a Missouri Market Conduct Examination," it was found that a refund was due to the insured. If the Second Injury Fund is owed additional payments, such payments shall be made to the fund with any applicable interest and penalties. Additionally, evidence must be provided to the Department that such refunds to the insured and payments to the Second Injury Fund have been made within 90 days after the date of the Order finalizing this examination. If the Administrative surcharge was underpaid, such payments that are owed, with any applicable interest and penalties, shall be paid to the Department of Revenue within 90 days of the date of the Order finalizing this examination. In addition, if underpayments are discovered, the Company must file an amended return on its Administrative Surcharge calculation to

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


the Premium Tax Section of the Department within 90 days of the date of the Order finalizing this examination.

WHEREAS, Amerisure, 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.

WHEREAS, Amerisure hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #1104-15-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$38,750.

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 Amerisure to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Amerisure does hereby voluntarily and knowingly waive all rights to any hearing, does consent to undertake the corrective actions set forth in this Stipulation, does consent to the ORDER of the Director and does surrender and forfeit the sum of \$38,750, such sum payable to the Missouri State School Fund, in accordance with §374.280.

DATED: 8/16/12


President CAT
Amerisure Mutual 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

Amerisure Mutual Insurance Company
NAIC # 23396

MISSOURI EXAMINATION # 1104-15-TGT

NAIC EXAM TRACKING SYSTEM # MO341-M36

July 26, 2012

Home Office
26777 Halsted Road
PO Box 2060
Farmington Hills, MI 4833-2060

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FOREWORD

This is a targeted market conduct examination report of Amerisure Mutual Insurance Company, (NAIC Code # 23396). This examination was conducted at the DIFP offices located in St. Louis, 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 "Amerisure" refers to Amerisure Mutual 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;
- "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, underwriting, and terminations 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.

"Amerisure Mutual Insurance Company has been insuring American businesses since September 12, 1912 when the Company was known as Michigan Workmen's Compensation Mutual Insurance Company. In 1984, to reflect our commitment to excellence and geographic expansion, the Company changed to its current name of Amerisure Mutual Insurance Company.

A subsidiary of Amerisure Mutual Holdings, Inc., Amerisure's core business is Workers' Compensation insurance. Our products and services are provided through a limited franchisee distribution network of independent insurance agents. The Company and its affiliates target mid-sized commercial enterprises in manufacturing, construction and healthcare through strategically located Core Service Centers across the United States."

The Company is licensed in all 50 states, the District of Columbia, and Puerto Rico. 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 Amerisure Mutual Insurance Company. The examiners found the following principal areas of concern:

- Amerisure failed to make a filing with DIFP for 30 large deductible, non-standard (individual risk) rated policies as required.
- In eight instances, Amerisure overcharged insureds for terrorism premium by not applying filed terrorism rates.
- In five instances, the Company undercharged insureds for terrorism premium by not applying filed terrorism rates.
- In two instances, Amerisure applied incorrect experience rating factors and overcharged the insureds for terrorism premium by not applying filed terrorism rates.
- In two instances, the Company applied incorrect schedule rating factors and undercharged insureds for terrorism premium by not applying filed terrorism rates.
- In one instance, Amerisure applied incorrect experience rating factor, resulting in an undercharge.
- In one instance, Amerisure undercharged an insured for terrorism premium by not applying filed terrorism rates.
- In one instance, Amerisure incorrect experience rating factor and failed to apply the correct terrorism rate resulting in an overcharge for the insured.

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. SALES AND MARKETING

In this section of the report, the examiners report their findings regarding how the Company complied with the laws that monitor sales and marketing practices. Due to time and cost restraints, examiners reviewed a sample of the Company's licensing records and marketing materials.

The examiners discovered no errors during this review.

A. Licensing of Agents, Agencies, and Brokers

Missouri law requires the company to sell insurance products through individuals and entities that hold a current license from the DIFP. The purpose of a license is to protect the public by providing competent and trustworthy agents, brokers, and agencies.

During underwriting and rating reviews, examiners documented agencies, agents, and brokers involved in producing the business. The examiners randomly verified that the entities were properly licensed.

The examiners discovered no errors during this review.

B. Marketing Practices

Amerisure markets its products through an independent agency system distribution. Missouri law requires producers to be truthful and provide adequate disclosure while selling the insurance products.

The examiners discovered no errors during this review.

The Company also provides information about its products through the Internet where the Company maintains a web site at Amerisure.com. The examiners discovered no discrepancies when the examiners reviewed the site.

II. 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 are in compliance with the rate filing requirements found in §§ 287.310, 287.947, RSMo, and in accordance with DIFP Bulletins 02-01 and 04-01.

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:

The examiners discovered that Amerisure failed to make a filing with DIFP for thirty 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, 287.947.1, RSMo., and DIFP Bulletin 02-01.

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: 30

Sample Size: 30

Type of Sample: Census

Number of Errors: 30

Error Ratio: 100%

Within DIFP Guidelines: No

1. Amerisure Mutual failed to file the following 30 large deductible, non-standard (individual risk) rated policies with DIFP as required.

<u>No</u>	<u>Policy Number</u>	<u>Date Effective</u>
1	WC 20259540602	1/1/2008
2	WC 20259540502	1/1/2007
3	WC 20259540102	1/1/2006
4	WC 13808730602	7/1/2007
5	WC 13808730502	7/1/2006
6	WC 13874670802	7/1/2006
7	WC 20117610502	6/30/2008
8	WC 20613680202	4/1/2010
9	WC 12813301402	4/1/2007
10	WC 12813301302	4/1/2006
11	WC 20171990702	11/15/2007
12	WC 20171990402	11/15/2006
13	WC 13832690502	11/30/2006
14	WC 07640442302	4/1/2010
15	WC 07640442202	4/1/2009
16	WC 07640442102	4/1/2008
17	WC 07640441502	4/1/2007
18	WC 20635780202	8/2/2010
19	WC 20354730202	3/1/2008
20	WC 20354730102	3/1/2007
21	WC 20354730002	3/1/2006
22	WC 13874770502	6/1/2006
23	WC 20110040802	4/30/2010

<u>No</u>	<u>Policy Number</u>	<u>Date Effective</u>
24	WC 20110040702	4/30/2009
25	WC 20110040602	4/30/2008
26	WC 20110040502	4/30/2007
27	WC 20110040402	4/30/2006
28	WC 20082630502	3/31/2007
29	WC 20088430502	3/31/2007
30	WC 20088430302	3/31/2006

References: §§ 287.310, 287.947.1, RSMo., and DIFP Bulletin 02-01.

- In eight instances, Amerisure overcharged terrorism premium by not applying the correct filed terrorism rate during the premium computation.

<u>Policy Number</u>	<u>Date Effective</u>	<u>Overcharge</u>
WC 1380873-05	7/1/2006	\$ 853
WC 2035473-01	3/1/2007	318
WC 2008843-05	3/31/2007	240
WC 2025954-05	1/1/2007	181
WC 1281330-13	4/1/2006	155
WC 2008263-05	3/31/2007	141
WC 1380873-06	7/1/2007	84
WC 2025954-06	1/1/2008	19

Total: \$ 1,991

References: §§ 287.947.1, 287.955.3, RSMo., Missouri State Exception Page MO-WC-AMI, and Advisory Miscellaneous Values Page.

- In two instances, the Company applied incorrect experience rating factors and failed to apply the correct filed terrorism rates, resulting in premium overcharges.

<u>Policy Number</u>	<u>Date Effective</u>	<u>Overcharge</u>
WC 1281330-14	4/1/2007	\$ 1,964
WC 2017199-04	11/15/2006	6

Total: \$ 1,970

References: §§ 287.947.1 and 287.955.3, RSMo., Missouri State Exception Page MO-WC-AMI, and Advisory Miscellaneous Values Page.

- Amerisure applied an incorrect experience rating factor and failed to apply the correct filed terrorism rate, resulting in overcharges of \$763 in premium and \$22 in Second Injury Fund surcharges.

<u>Policy Number</u>	<u>Date Effective</u>
WC 1383269-05	11/30/2006

References: §§ 287.310.9, 287.947.1, 287.955.3, RSMo., Missouri State Exception Page MO-WC-AMI, and Advisory Miscellaneous Values Page.

- In five instances, the Company undercharged terrorism premium by not applying the filed terrorism rate during the premium computation.

<u>Policy Number</u>	<u>Date Effective</u>	<u>Undercharge</u>
WC 2008843-03	3/31/2006	\$ 189
WC 1387477-05	6/1/2006	131
WC 2025954-01	1/1/2006	107
WC 2035473-00	3/1/2006	105
WC 0764044-22	4/1/2009	9

Total: \$ 541

References: §§ 287.947.1, 287.955.3, RSMo., Missouri State Exception Page MO-WC-AMI, and Advisory Miscellaneous Values Page.

- In two instances, Amerisure applied incorrect schedule rating factors and failed to apply the correct filed terrorism rates, resulting in premium undercharges.

<u>Policy No</u>	<u>Date Effective</u>	<u>Undercharge</u>
WC2063578-02	8/2/2010	\$ 2,866

Total: \$ 4,319

References: §§ 287.947.1, RSMo., DIFP Bulletins 97-3, and 02-02, Missouri State Exception Page MO-WC-AMI, and Advisory Miscellaneous Values Page.

7. The Company applied an incorrect experience rating factor, resulting in a premium undercharge of \$11.

<u>Policy Number</u>	<u>Date Effective</u>
WC 0764044-15	4/1/2007

References: §§ 287.947.1 and 287.955.3, RSMo.

8. Amerisure failed to apply the correct filed terrorism rate, resulting in a premium undercharge of \$5.

<u>Policy Number</u>	<u>Date Effective</u>
WC 2011761-05	6/30/2008

References: §§ 287.947.1, 287.955.3, RSMo., Missouri State Exception Page MO-WC-AMI, and Advisory Miscellaneous Values Page.

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: 2
Sample Size: 2
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during 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, 2006, through February 6, 2009. The registry contained a total of five complaints. They reviewed all that went through DIFP and one 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.

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	22	100%
Received outside time-limit, incl. any extensions	0	0%
No Response	<u>0</u>	<u>0%</u>
Total	22	100%

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

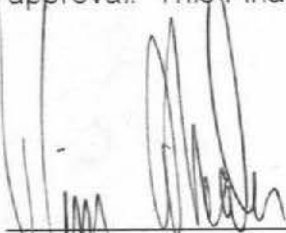
B. Formal Request Time Study

<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%
No Response	<u>0</u>	<u>0%</u>
Total	8	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 Amerisure Mutual Insurance Company (NAIC #23396), Examination Number 1104-15-TGT. This examination was conducted by Gary T. Meyer, Gary Bird and John Pfaender. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated March 29, 2012. 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.



Jim Mealer
Chief Market Conduct Examiner

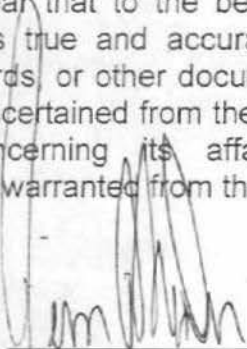
8/31/2012

Date

STATE OF MISSOURI)
)
COUNTY OF COLE)

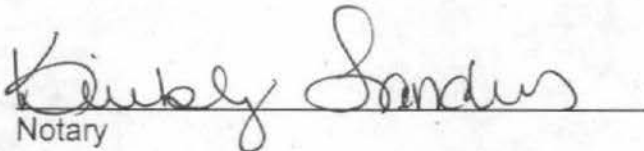
VERIFICATION OF WRITTEN REPORT OF EXAMINATION

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 3rd day of August, 2012.


Notary

(Seal)

My commission expires:

May 18, 2016



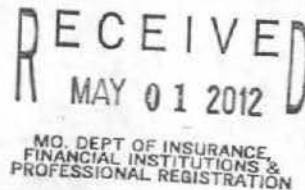


Amerisure Mutual Holdings, Inc.
Amerisure Mutual Insurance Company
Amerisure Insurance Company
Amerisure Partners Insurance Company

Carol Taylor
Vice President – Counsel & Compliance Officer

April 30, 2012

Mr. Stewart Freilich
Legal Counsel
Market Conduct Section
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301 West High Street
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P.O. Box 690
Jefferson City, MO 65102-0690



RE: Missouri Market Conduct Examination #1104-15-TGT
Amerisure Mutual Insurance Company (NAIC #23396)

Dear Mr. Freilich:

Amerisure Mutual Insurance Company has carefully reviewed the Draft Market Conduct Examination Report attached to your letter of March 29, 2012. In addition, we have reviewed the criticisms we received during the exam and our responses to those criticisms. There are a few items we would specifically like to address in areas where we strongly believe the assessment by the department is contrary to industry practice or law.

In all instances in which there was an overcharge, a refund will be, or has been, made to the impacted policyholder, with interest, in accordance with the Department's guidelines.

Forms & Filings – Failure to make a filing with DIFP for 30 large deductible, non-standard (individual risk) rated policies.

We provided a very detailed response to Criticism #2, which included filings and emails based on discussion with the department. However, our response today will focus first on the statute and bulletin and secondarily on what we believe we were told by the department.

§287.310 gives the insurer the option to offer a Workers' Compensation deductible plan. Section 4 discusses the insured's ability to select a net or gross program.

§287.947 indicates that a rate filing is required. Amerisure complied with this filing requirement.

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Bulletin 2002-01 provides guidelines for deductible plans. This bulletin states:

“Insurers may (emphasis added) individually rate large deductible, multi-state employers if the employer agrees to such a rating. The insurer shall make a separate filing with the Department...documenting such policy (emphasis added).”

Amerisure maintains that while the department afforded us the opportunity to individually rate these multi state accounts, we did not, and thus were not required to make a separate filing of such policies. It certainly stands to reason that the filing requirement pertained to the option to individually rate, and if we did not avail ourselves of individual rating there would be no requirement for a filing. Had the drafter of the bulletin required such a filing regardless of the rating methodology it could have stated this requirement in plain language.

Furthermore, as you are aware, we had a conference call with members of your staff at the time we filed our large deductible plan in 2007. Our understanding was that our filing was approved based on the elements filed which included a certain amount of flexibility. However, we were aware that any adjustments in ELF or ELR or Expense ranges in excess of 25% (+or-) must be submitted to the Department for approval. At no time were we made aware that the very nature of a multi state large deductible program for every account required a filing. Had such a requirement been communicated, the filing would have been made. We believe our failure to file was due to a breakdown in communication, in addition to the lack of specificity and clarity in the Bulletin. We strongly urge you to take this into consideration when finalizing the report.

Please see attached Exhibit 1 and 2 for the supporting documentation.

Although we do not believe either the statute, bulletin, or our prior communication with the Department require such a filing, it has become clear, based on the audit, that the Department is requiring such a filing. If, after a thorough review, the Department maintains that such a filing is required, we will certainly abide by the Department's decision.

Underwriting and Rating

1. See response under Forms & Filings.
2. Erroneous reporting to NCCI.

We have verified with NCCI that our reporting of these policies written on a net basis was appropriate. While our explanation may have caused some confusion, it is appropriate to report gross losses. The NCCI guidebook indicates - NCCI applies the reported deductible amount to the reported gross loss and produces the net incurred loss used to calculate expense-rating modification. I have attached an

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email (Exhibit 3) from NCCI supporting our methodology and verifying we are reporting net. Additionally, we have undertaken a review of our reporting and were able to validate through inspection of actual experience rating calculations that NCCI is properly removing the deductible reimbursement from the gross loss to arrive at net loss. We believe a review of the NCCI guidebook (Exhibits 4, 5, and 6) and the email support our position and this criticism should be deleted.

3. Incorrect experience rating factor and application of incorrect terrorism rate – WC1383269-05.

We reviewed criticism #19, which only addresses the terrorism rate, and as a result, we feel this comment should be modified.

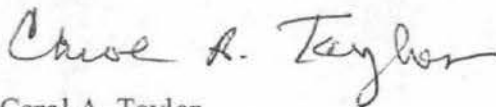
We have taken steps to refund the necessary overpayments with interest, caused in large part because we use three decimal points instead of two for the terrorism rate.

Compliance with the laws of each state in which we do business is a primary objective for our organization. We take a number of steps to ensure compliance, which include conferring with knowledgeable industry experts, both within and outside of the State Insurance Departments. This process has been a learning experience for us and we will endeavor to further enhance our Missouri compliance efforts.

We appreciate the opportunity to articulate again the areas where we disagree with the draft report and criticisms enumerated therein. Thank you, in advance for your consideration of our position with respect to gross vs. net reporting and individual filing requirements.

If you have any questions, or if I may be of further assistance, please feel free to contact me.

Sincerely,



Carol A. Taylor

/sln
Enclosures