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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: Auto Club Family Insurance Co.
P.O. Box 66502
St. Louis, MO 63166

RE: Missouri Market Conduct Examination 0603-12-TGT
Auto Club Family Insurance Company (NAIC #27235)

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by Douglas M. Ommen, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, hereinafter referred to as "Director," and Auto Club Family Insurance Company, (hereafter referred to as "AAA"), as follows:

WHEREAS, Douglas M. Ommen 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, AAA 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 AAA and prepared report number 0603-12-TGT; and

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

1. In some instances, AAA failed to give a sufficiently clear and specific reason for the cancellation of some of its automobile policies and cancelled some policies for reasons not allowed by law, thereby violating of §§379.114 and 379.120, RSMo.

2. In some instances, AAA failed to obtain a signature of the producer on some of its automobile policy applications, thereby violating 20 CSR 300-2.200(3)(A). RSMo.

3. In some instances, AAA failed to provide relevant materials, files, and documentation, including maintaining a copy of applications for coverage in its files in order to allow the examiners to sufficiently ascertain the inception, handling and disposition of the claims handling practices of the Company, thereby violating §374.205.2(2), RSMo, and 20 CSR 300-2.200(2) and (3).

4. In some instances, AAA failed to properly document that some of its homeowner policyholders were notified of the requirement to replace damaged property within 180 days of the date of loss, in violation of §375.1007(1), RSMo, 20 CSR 100-1.020(1), and its own policy provisions and endorsements.

5. In some instances, AAA failed to provide all necessary claim forms and reasonable assistance to first party claimants within 10 working days after receiving notice of the homeowner's claim, thereby violating 20 CSR 100-1.030(3).

6. In some instances, AAA failed to properly document in some of its homeowner claims' files that all pertinent benefits and coverages were disclosed to the claimant, in violation of 20 CSR 100-1.020(1).

7. In some instances, AAA failed to accept or deny some homeowner loss claims within 15 days after receipt of documentation establishing the nature and extent of the claims, in violation of 20 CSR 100-1.050(1)(A).

8. In some instances, AAA failed to respond to all pertinent communications relative to certain claims which suggested that a response was required within 10 working days of the receipt of said communications, thereby violating 20 CSR 100-1.030(2).

9. In some instances, AAA failed to acknowledge receipt of some of its automobile loss claims within 10 working days as required by 20 CSR 100-1.030(1).

10. In some instances, AAA used an authorization form that was too general to obtain information about an insured in its investigation of certain homeowner claims, in violation of §§604(a)(3)(C)(F)(i) and 620 of the Federal Fair Credit Reporting Act, and federal case law.

12. In some instances, AAA failed to send certain insureds a written denial letter with specific references to policy provisions, conditions and/or exclusions relative to the particular homeowner and auto loss claims, thereby violating 20 CSR 100-1.050(1)(A).

13. In some instances, AAA failed to document that it provided a Missouri sales tax affidavit for certain claim files, in violation of §144.027, RSMo, and 20 CSR 300-2.200(3)(B).

14. In some instances, AAA did not issue payment for excess medical payment coverage until the Department's examiners required it to do so and failed to notify one of the claimants that the reason for keeping the file open or that medical payments coverage was even available. These errors violated §§208.215.1 and 376.433, RSMo, and 20 CSR 100-1.050(1)(C) and 20 CSR 500-2.100(2)(C).

15. In one instance, AAA failed to include a complaint in its Missouri Complaint Register, as required by §375.936(3), RSMo, and 20 CSR 300-2.200(3)(D).

WHEREAS, AAA hereby agrees to take remedial action bringing AAA into compliance with the statutes and regulations of the State of Missouri and agrees to maintain those corrective actions at all times, including, but not limited to, taking the following actions:

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

2. AAA agrees to review all of its paid homeowner claims totaling over \$10,000 dated January 1, 2002, to May 31, 2007, to determine if any claimants were underpaid, and, if so, to issue refunds of any such underpayments, bearing in mind that an additional payment of nine per cent (9%) interest is also required, as per §408.020, RSMo, on those late payments; evidence of such payments to be provided to the Department within 90 days after the entry of a final Order in this examination.

WHEREAS, AAA is of the position that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed factual and legal allegations, and that payment of a forfeiture is merely to resolve the disputes and avoid litigation; and

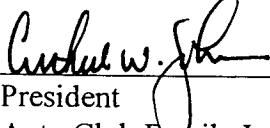
WHEREAS, AAA, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, AAA hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0603-12-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$14,138.

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 AAA to transact the business of insurance in the State of Missouri or the imposition of other sanctions, AAA 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 \$14,138, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 6/12/07



President
Auto Club Family Insurance Company