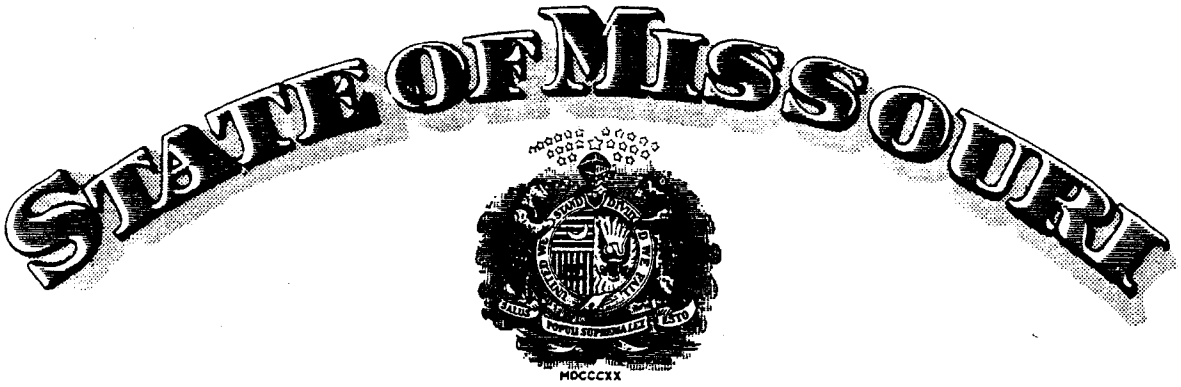

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

In re:	)	
	)	Examination No. 0801-06-TGT
Consumers Insurance, USA, Inc. (NAIC #10204)	)	

ORDER OF THE DIRECTOR

NOW, on this 10th day of March, 2009, Director John M. Huff, after consideration and review of the market conduct examination report of Consumers Insurance, USA, Inc. (NAIC #10204), (hereafter referred to as "Consumers") report numbered 0801-06-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, and the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation") does hereby adopt such report as filed. After consideration and review of the Stipulation, report, relevant workpapers, 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. 2006), is in the public interest.

IT IS THEREFORE ORDERED that Consumers and the Division of Insurance Market Regulation have agreed to the Stipulation and the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that Consumers shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place Consumers 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 Consumers shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $6,417.50, 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 10th day of March, 2009.

John M. Huff
Director

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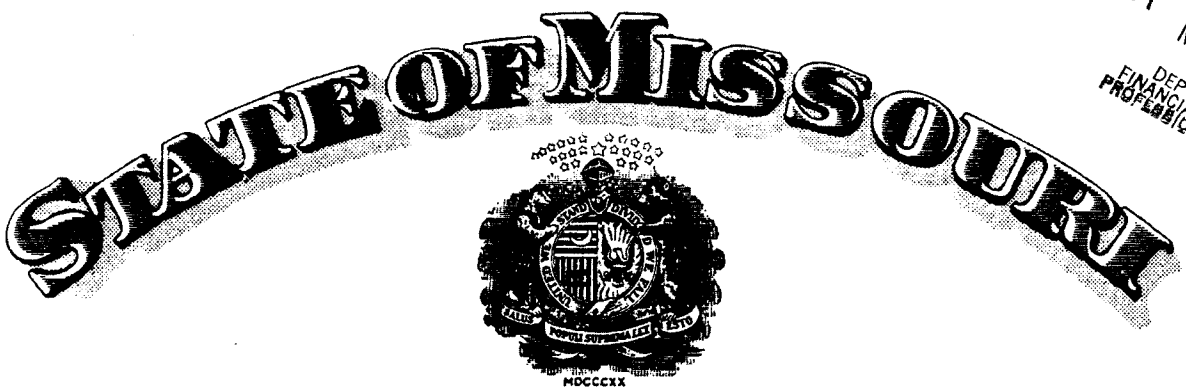


DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

TO: Consumers Insurance
P.O. Box 12269
Murfreesboro, TN 37129

RE: Consumers Insurance, USA, Inc. (NAIC #10204)
Missouri Market Conduct Examination #0801-06-TGT

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by Kip Stetzler, Acting Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, hereinafter referred to as "Director," and Consumers Insurance, USA, Inc., (hereafter referred to as "Consumers"), as follows:

WHEREAS, Kip Stetzler is the Acting 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, Consumers 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 Consumers and prepared report number 0801-06-TGT; and

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

1. In some instances, Consumers' personal and commercial automobile termination policy files were found to not have sufficiently clear and specific reasons for the non-renewals of the policies, thereby violating §§379.118.1(3) and 379.882.3, RSMo.

2. In some instances, Consumers' claim files failed to contain a copies of a Missouri Sales Tax Affidavit, copies of a salvage title, and copies of written denial letters that had been sent to the insured referencing specific policy provisions for the denials, as required by §144.027, RSMo, 20 CSR 100-1.050 and 20 CSR 300-2.200(3)(B) (2007), and DIFP Bulletin 90-04.

3. In some instances, Consumers' paid personal auto total loss claim files lacked evidence of a letter sent to the claimants notifying them of their obligation to obtain a salvage title, in violation of §301.227.1, RSMo.

4. In some instances, Consumers 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 20 CSR 100-1.050 and 20 CSR 300-2.200(3)(B) (2007).

WHEREAS, Consumers 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 report does not recur; and

WHEREAS, Consumers 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, Consumers, 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, Consumers hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0801-06-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of $6,417.50.

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 Consumers to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Consumers 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 $6,417.50, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 2/20/09

President
Consumers Insurance, USA, Inc.

Phone:
615-896-6133

Fax:
615-896-0766

P.O. BOX 12269
MURFREESBORO, TN 37129

Visit Us on the Web at
www.ciusa.com

January 10, 2009

Carolyn H. Kerr, Senior Counsel
Market Conduct Section
Missouri Department of Insurance
Financial Institutions and Professional Regulation
201 West High Street, PO Box 690
Jefferson City, MO 65102-0690

RE: Missouri Market Conduct Examination #0801-06-TGT
Consumers Insurance, USA, Inc. (NAIC #10204)

Dear Ms. Kerr,

Following please find the reply from Consumers Insurance regarding the recent Market Conduct Examination that was conducted by your department.

UNDERWRITING AND RATING PRACTICES

In reference to section A. 2, Personal Auto Termination Policies that were Non-Renewed and section A. 5, Commercial Auto Termination Policies that were Non-Renewed, we had listed the reasons for Non-Renewal on each of the policies listed as either due to "Underwriting Reasons", "Claims Activity" or "MVR Activity" as the Cancellation & Non-Renewal Handbook that we subscribe to and receive from The National Underwriter Company indicates that for the State of MO, the reason for non-renewal is required on the notice. We were truly unaware that this needed to be specific and the reason needed to be in detail. However, we are now in the process of programming our system to correct this and the specific reason will be included on these in the very near future.

CLAIMS PRACTICES

Regarding B. 1, I agree that no Sales Tax Affidavit was sent or copy retained in our files. Since we are domiciled in Tennessee, on stolen vehicles we apply for title only in the name of Consumers Insurance. We retain the title in our office and I am enclosing a copy of that title. All stolen vehicles are reported to the NITB. For all other totaled vehicles we obtain a salvage title in the name of Consumers Insurance and the vehicles are sold thru the salvage yard in Missouri.

We agree that no written denial letter was sent. We are restructuring our computer system to assure that written denial letters are sent to the insured with specific reference to policy provision, condition and exclusion and this will also be part of our education training for adjusters.

Regarding B. 2, we agree that a written denial or Sales Tax Affidavit form was not sent and we will make that part of our mandatory claim handling procedure. The same corrections will apply as stated above in B. 1.

Regarding B. 3, we agree with your findings on file 200706015 and 2007010081. Action to correct this will be the same as previously stated in B. 1.

We disagree that the files do not have the independent appraisal Total Loss Condition report and the NADA evaluation report in the file. Since we are paperless, when our files were printed and sent to you we failed to print the total loss screen from the file. Upon receiving the criticism request the screens were printed and sent to the examiner. I am enclosing copies of those screens.

On file 2007060207 we agree that a copy of the salvage title was not in the file. This will be addressed in our educational class and as part of our system changes.

Regarding B. 4, we agree on the lack of proper documentation and this will be corrected with our system changes and education classes as stated above in B. 1.

On claim 200705126 this was corrected and checks and the letter were mailed to the insured on 11/19/2008. See attached copies.

Regarding B. 5, we agree and this was corrected on 11//20/2008. See attached copies of the letter and check. In the future this will be corrected as outlined above in B. 1.

Regarding B. 6, we agree on claim 200701000 and we will correct this with the update of our system and adjusters' education and training. We have not sent a status letter to the insured.

On claim 2005060386 we agree that we included the medical payments in our subrogation. We have now sent a corrected letter deducting the medical payments. We have not collected anything nor have we heard from the claimant. This will also be corrected as outlined in B. 1.

Regarding C. 2, we agree and this will be corrected with system updates and adjusters' education and training.

Regarding C. 3, we agree and this will corrected as outlined in B. 1.

Regarding C. 5, we agree and we have now sent the letter. A copy of that letter is enclosed. This will also be corrected for all future claims with system updates and adjuster' education and training.

We feel that the issues pointed out in the exam were minor and we have taken steps or will be taking steps shortly to correct our procedures so that we will be in total compliance with Missouri statutes.

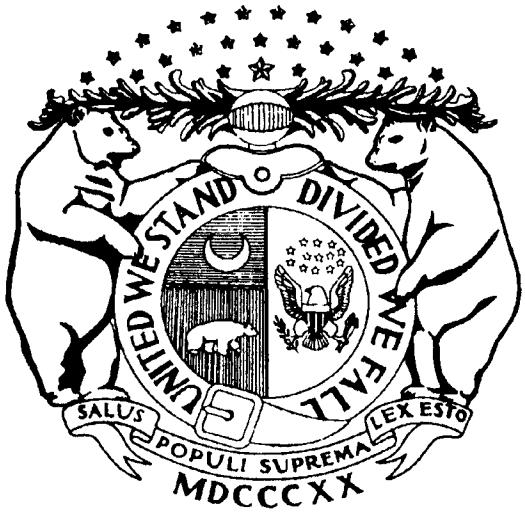
We ask that no further administrative action be taken because of the nature of the issues and our immediate corrective actions.

If you have any questions concerning this information, please feel free to contact me at 1-800-321-0065, ext. 102 or at bwheeler@ciusa.com.

Regards,

William J. Wheeler
President
Consumers Insurance

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



MARKET CONDUCT EXAMINATION REPORT

Consumers Insurance, USA, Inc.
NAIC # 10204

EXAMINATION NUMBER 0801-06-TGT

October 1, 2008

Home Office
P. O. Box 12269
Murfreesboro, Tennessee 37129

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EXECUTIVE SUMMARY

COMPANY PROFILE

History

The following profiles were provided to the examiners by the Company.

Consumers Insurance, USA has become one of the premier insurance companies in Tennessee in a very short time. The Company was formed by 46 independent Insurance agents in the state of Tennessee; Consumers Insurance moved to Murfreesboro, Tennessee in April of 1998. As the Company worked through the obstacles facing a new business in the early years, it set about building an unparalleled processing system. The management also held true to their conviction that they were creating something special. As a result of this early perseverance by the founders, we now have a loyal agency force who constantly tells us that "your system is the best we have ever worked with." Because of hard work and a staff and management team that dedicated themselves to "world class service," our agency base now places a high value on a Consumers contract.

Findings

The examination process generally began with the review of complaints, and other non-file materials. The examiners reviewed these products of Consumers Insurance, USA, Inc. and found no violations with complaints or other non-filed materials.

FOREWORD

This is a targeted audit market conduct examination which shows the practices and procedures of selected lines of business of Consumers Insurance, USA, Inc. being reviewed. The examination was conducted at the office of the Department of Insurance, Financial Institutions and Professional Regulation in Jefferson City, Missouri.

The 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.

The examiners reviewed only a sample of the Company's practices, procedures, products and files during this exam. 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.

During this examination, the examiners may cite potential violations made by the Company. Statutory citations reference those in effect as of the examination period unless otherwise noted.

The final examination report documents consist of this examination report, the Company's response, and the administrative action based on the finding by the Director of the DIFP.

Wherever used in the report:

"Company" refers to Consumers Insurance, USA, Inc.

"DIFP" or "Department" refers to the Missouri Department of Insurance, Financial Institutions, and Professional Registration;

"NAIC" refers to the National Association of Insurance Commissioners;

"RSMo" refers to the Revised Statutes of Missouri;

"Director" refers to the Director of DIFP;

"CSR" refers to the Code of State Regulations;

PURPOSE AND 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. In addition, §447.572, RSMo., grants authority to the DIFP to determine compliance with the Uniform Disposition of Unclaimed Property Act.

The purpose of this examination is 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, 2007, unless otherwise noted. However, examiners include all discovered errors in this report.

This report focuses on general business practices of Consumers Insurance, USA, Inc. The DIFP has adopted the NAIC published error tolerance rate guidelines. Examiners apply a ten percent (10%) error tolerance criterion to underwriting and rating practices and a seven percent (7%) tolerance criterion to claims handling practices. Error rates greater than the tolerance suggest a general business practice.

The examination included, but was not limited to, a review of the following lines of business: Underwriting and Rating, Claims Practices, and Consumer Complaints. The examination was a review of the Company's operations for Underwriting and Rating, Claims, and Complaints.

Examiners requested the Company make refunds on rating overcharges and claim underpayments during the examination if any were found.

SECTION I

UNDERWRITING AND RATING PRACTICES

UNDERWRITING AND RATING PRACTICES

This section of the report is designed to provide a review of the Company's underwriting and rating practices. Examiners reviewed how the Company handled new and renewal policies to ensure the Company underwrote and rated risks according to their own underwriting guidelines, filed rates, and Missouri statutes and regulations.

The examiners requested the Company 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 reviewed the Company's underwriting and rating practices, which included the use of policy forms, adherence to underwriting guidelines and company manuals, assessment of premium, and declination and termination procedures. The NAIC error tolerance ratio the examiners use for underwriting is ten percent (10%).

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

UNDERWRITING AND RATING PRACTICES

A. 1 Personal Auto Termination Policies

Canceled

Field Size:	3,836
Sample Size:	50
Type of Sample:	Systematic
No. of Errors:	0
Found Error Ratio:	0%
Within DIFP Guidelines:	Yes

Summary

The examiners found no issues or concerns.

A. 2 Personal Auto Termination Policies

Non-renewed

Field Size:	216
Sample Size:	50
Type of Sample:	Systematic
No. of Errors:	29
Found Error Ratio:	58%
Within DIFP Guidelines:	No

Summary

The following list of polices were non-renewed and the reason given the insured was not clear and specific as required by Missouri statute.

Policy Numbers: 28712945, 28740408, 28766287, 28769351, 28784060, 28795000, 28796757, 28807002, 28808461, 28812950, 28822225, 28826002, 28830027, 28831279, 28832828, 28836440, 28837194, 28838342, 28843170, 28846205, 28716900, 28735759, 28753472, 28833501, 28818950, 28838355, 28848854, 28859302, and 28891156.

Ref: §379.118.1(3), RSMo.

A. 3 Personal Auto Termination Policies

Declined

Field Size:	337
Sample Size:	50
Type of Sample:	Systematic
No. of Errors:	0
Found Error Ratio:	0%
Within DIFP Guidelines:	Yes

Summary

The examiners found no issues or concerns.

A. 4 Commercial Auto Termination Policies

Canceled

Field Size:	639
Sample Size:	50
Type of Sample:	Systematic
No. of Errors:	0
Found Error Ratio:	0%
Within DIFP Guidelines:	Yes

Summary

The examiners found no issues or concerns.

A. 5 Commercial Auto Termination Policies

Non-renewed

Field Size:	32
Sample Size:	32
Type of Sample:	Census
No. of Errors:	29
Found Error Ratio:	91%
Within DIFP Guidelines:	No

Summary

The following list of polices were non-renewed and the reason given the insured was not clear and specific as required by Missouri statute.

Policy Numbers: 2857098, 28594770, 2862876, 28654901, 28655311, 28655758, 28658786, 28664568, 28669004, 28671543, 28677353, 28682057, 28762486, 28762947, 28767600, 28769560, 28771547, 28780148, 28785678, 28792649, 28799606, 28802920, 28808871, 28814991, 28816235, 28820690, 28823452, 28835654, and 28837965.

Ref: §379.883.3 RSMo.

A. 6 Commercial Auto Termination Policies

Declined

Field Size:	669
Sample Size:	50
Type of Sample:	Systematic
No. of Errors:	0
Found Error Ratio:	0%
Within DIFP Guidelines:	Yes

Summary

The examiners found no issues or concerns.

SECTION II

CLAIMS PRACTICES

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 efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. Claim files were systematically selected. 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, 2007.

A claim is a demand for payment by an insured or third party claimant under a coverage against the insured which is:

1. paid by the insurer
   a) as full recompense; or
   b) as partial recompense;
2. closed without payment by reason of
   a) no relevant coverage;
   b) recompense by other legal means; or
   c) no liability.

The error criterion used to develop confidence levels for the claims review was seven percent (7%) as established by the NAIC.

The examiners reviewed the claim files for efficiency. In determining efficiency, examiners looked at the duration of time the Company used to acknowledge the receipt of the claim, the time for investigation of the claim, and the time to make payment or provide a written denial. Missouri regulations define a reasonable duration of time for claim handling as acknowledgment of the claim within 10

working days, completion of the investigation of the claim within 30 calendar days, and payment or denial of the claim within 15 working days after the investigation is completed.

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.

The Company's claim files are maintained in an electronic format.

CLAIMS

B. 1 Personal Auto Paid Claims

Comprehensive

Field Size:	405
Sample Size:	50
Type of Sample:	Systematic
No. of Errors:	6
Found Error Ratio:	12%
Within DIFP Guidelines:	No

Summary

The following claim file indicates that the vehicle was a total loss. However, a copy of a Missouri Sales Tax Affidavit and a copy of a salvage title were not in file as required by Missouri law.

Claim Number: 2006110074

Ref: §144.027 RSMo., 20 CSR 300-2.200 (3)(B), and DIFP Bulletin 90-4.

The following claim file did not have a copy of a written denial letter that was sent to the insured with specific reference to policy provision, condition and exclusion.

Claim Number: 2007090449.

Ref: 20 CSR 100-1.050.

The following claim files were not properly documented clearly showing the disposition of the claim. There were no copies of closure letters supporting the reason for claims being closed without payment.

Claim Numbers: 2006120444, 2007040355, 2007020063, and 20071101112

Ref: 20 CSR 300-2.200 (3) (B).

B.2 Personal Auto Paid Claims

Collision

Field Size:	561
Sample Size:	50
Type of Sample:	Systematic
No. of Errors:	3
Found Error Ratio:	6%
Within DIFP Guidelines:	Yes

Summary

A written denial letter was not sent to the insured or a copy of the denial letter was not in file as required by Missouri regulation.

Claim Numbers: 2007010561 and 2007020098.

Ref: 20 CSR 100-1.050

The claim indicated the auto was a total loss. However a copy of a Missouri Sales Tax Affidavit was not in file as required by Missouri regulation.

Claim Number: 2006090029.

Ref: §144.027, RSMo., and 20 CSR 300-2.200 (3) (B) (3).

B. 3 Personal Auto Paid Claims

Total Losses

Field Size:	239
Sample Size:	50
Type of Sample:	Systematic
No. of Errors:	25
Found Error Ratio:	50%
Within DIFP Guidelines:	No

Summary

The following claim files indicate the vehicles were total losses. The files did not contain evidence of letter being sent to the claimants who are retaining salvage informing them that they must obtain a salvage title as required by the Missouri Department of Revenue and by Missouri statute.

Claim Numbers: 2007060615, and 2007010081.

Ref: §301.227.1 RSMo.

The following claim files did not properly document the files to clearly show the inception, handling and disposition of each claim. The files failed to document that the damage to the vehicles was 75%.

Claim Numbers: 2006120058, 2007040265, 2007030329, 2007030238, 2007010285, 2006100514, 2006100305, and 2005120152.

Ref: 20 CSR 300-2.200 (3) (B).

The following claim files did not have a copy of a Missouri Sales Tax Affidavit in them as required by Missouri statute and regulation.

Claim Numbers: 2005100377, 2007020019, 2007020287, 2006110414, 2007030559, 2007040045, 2007020076, 2007030462, 2006060052, 2007060345, 2006070373, 2007070173, 2007040582, 2007110046, and 2007110329.

Ref: §144.027, RSMo., and 20 CSR 300-2.200 (3) (B).

The following claim file did not have a copy of a salvage title in file as required by Missouri regulation.

Claim Number: 2007060207.

Ref: 20 CSR 300-2.200 (3) (B).

B. 4 Personal Auto Paid Claims

Medical Payments

Field Size:	88
Sample Size:	88
Type of Sample:	Census
No. of Errors:	3
Found Error Ratio:	3.4%
Within DIFP Guidelines:	Yes

Summary

The following claim file lacked proper documentation showing the inception, handling and disposition of the claim.

Claim Number: 2007050145.

Ref: 20 CSR 300-2.200 (3)(B) and Company guidelines handling Bodily Injury.

The Company overpaid the following Medical Payment claim by $846.90.

Claim Number: 2005090218.

Ref: 20 CSR 300-2.200 (3) (B).

The Company submitted a subrogation claim for $225.86 on this medical payment claim. Subrogation for payments under medical payments coverage is not permitted in Missouri.

Claim Number: 2007050126.

Ref: 20 CSR 500-2.100 (2) (G) (1), and Travelers Co. vs. Chumbley, 394 S. W. 2d 418 (Mo. App. 1965).

B. 5 Personal Auto Paid Claims

Subrogation Payments

Field Size:	19
Sample Size:	19
Type of Sample:	Census
No. of Errors:	1
Found Error Ratio:	5%
Within DIFP Guidelines:	Yes

Summary

The Company recovered 50% of this subrogation claim, but failed to reimburse the insured any of the recoveries. The insured was owed $125.00 on his deductible. The Company has reimbursed the insured $125.00 plus interest for a total of $143.53.

Claim Number: 2006010317.

Ref: §408.020 RSMo., and 20 CSR 100-1.020.

B. 6 Personal Auto Paid Claims

Uninsured Motorists Payments

Field Size:	69
Sample Size:	69
Type of Sample:	Census
No. of Errors:	2
Found Error Ratio:	3%
Within DIFP Guidelines:	Yes

Summary

The Company did not send the insured a letter explaining why this claim was open for more than 45 days during the subrogation process.

Claim Number: 2007010000.

Ref: 20 CSR 100-1.050 (1) (C).

The Company submitted this subrogation claim for medical payments in the amount of $4,828.48. This claim procedure is in violation of Missouri case law. The Company has not collected any monies and has never heard back from claimant.

Claim Number: 2005060386.

Ref: Travelers Indemnity Co. vs. Chumbley 394 S W. 2d 418 (Mo. App. 1965).

C. 1 Commercial Auto Paid Claims

Comprehensive Payments

Field Size:	155
Sample Size:	50
Type of Sample:	Systematic
No. of Errors:	0
Found Error Ratio:	0%
Within DIFP Guidelines:	Yes

Summary

The examiners found no issues or concerns.

C. 2 Commercial Auto Paid Claims

Collision Payments

Field Size:	207
Sample Size:	50
Type of Sample:	Systematic
No. of Errors:	1
Found Error Ratio:	2%
Within DIFP Guidelines:	Yes

Summary

This claim file indicates that the vehicle was a total loss. However the Company failed to have a copy of a Missouri Sales Tax Affidavit in file as required by Missouri statute and regulation.

Claim Number: 2006110600.

Ref: §144.027, RSMo., and 20 CSR 300-2.200 (3) (B) (3).

C. 3 Commercial Auto Paid Claims

Total Loss Payments

Field Size:	98
Sample Size:	98
Type of Sample:	Census
No. of Errors:	1
Found Error Ratio:	1%
Within DIFP Guidelines:	Yes

Summary

The following claim file indicates that the vehicle was a total loss. The Company failed to have a copy of a Missouri Sales Tax Affidavit in file as required by Missouri statute and regulation.

Claim Number: 2005120024.

Ref: § 144.027, RSMo., and 20 CSR 300-2.200 (3) (B) (3).

C. 4 Commercial Auto Paid Claims

Medical Payments

Field Size:	19
Sample Size:	19
Type of Sample:	Census
No. of Errors:	0
Found Error Ratio:	0%
Within DIFP Guidelines:	Yes

Summary

The examiners found no issues or concerns.

C. 5 Commercial Auto Paid Claims

Subrogation Payments

Field Size:	8
Sample Size:	8
Type of Sample:	Census
No. of Errors:	1
Found Error Ratio:	12.5%
Within DIFP Guidelines:	No

Summary

The following claim file indicates it had been opened for more than 45 days. A copy of the letter to the insured explaining why the claim was still open was not in file. The Company failed to reimburse the insured 40% of the recovery that had been received by the Company. The insured is entitled to a refund with interest of $463.10.

Claim Number: 2005060438

Ref: § 408.020, RSMo., and 20 CSR 100-1.050.

C. 6 Commercial Auto Paid Claims

Uninsured Motorist Payments

Field Size:	16
Sample Size:.	16
Type of Sample:	Census
No. of Errors:	0
Found Error Ratio:	0%
Within DIFP Guidelines:	Yes

Summary

The examiners found no issues or concerns.

C. 7 Commercial Auto Paid Claims

Underinsured Motorist Payments

Field Size:	6
Sample Size:	6
Type of Sample:	Census
No. of Errors:	0
Found Error Ratio:	0%
Within DIFP Guidelines:	Yes

Summary

The examiners found no issues or concerns.

Section III

CONSUMER COMPLAINTS

CONSUMER 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.

The examiners verified the registry, which contained a total of 13 complaints. They reviewed all 13 that went through DIFP and the ones that did not come through the Department. 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). The examiners found no issues or concerns in their review of the Company's complaints.

SECTION IV

FORMAL REQUESTS AND CRITICISMS TIME STUDY

FORMAL REQUESTS AND CRITICISMS 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.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
0 to 10	103	100%
10 to 50	0	0%
No Response	0	0%
Total	103	100%

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
0 to 10	3	100%
11 to 30	0	0%
30 to 99	0	0%
Total	3	100%

SECTION V

EXAMINATION REPORT SUBMISSION

EXAMINATION REPORT SUBMISSION

The examination report of Consumers Insurance, USA, Inc. is respectfully submitted to the Director of Insurance, Financial Institutions and Professional Registration, State of Missouri.

The courteous cooperation of the officers and employees of the Company is hereby acknowledged.

In addition to the undersigned, Gerald Michitsch, Darren Jordan, AIC, participated in the examination.

Gary T. Meyer

Gary T. Meyer, AIE, AIRC, ACP, CCP, MCM
Examiner In Charge

Date: 12/15/08

VERIFICATION OF WRITTEN REPORT OF EXAMINATION

Before me, the undersigned authority, personally appeared Gary T. Meyer, being duly sworn and deposed stated as follows:

1. My name is Gary T. Meyer. I am of sound mind, capable of making this affidavit, and personally acquainted with the facts herein stated.

2. I am the examiner-in-charge duly appointed by the Director of the DIFP, State of Missouri to examine the business affairs and market conduct of the Consumers Insurance, USA, Inc., granted authority to transact the business of insurance in the State of Missouri.

3. Attached hereto and containing 28 pages is my examination report of Consumers Insurance, USA, Inc.

4. This examination report was produced in observation of those guidelines and procedures set forth in the Market Regulation Handbook adopted by the National Association of Insurance Commissioners and such other guidelines and procedures adopted by the DIFP.

5. This examination 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 as reasonably warranted from the facts.

Gary T. Meyer

Gary T. Meyer, AIE, AIRC, ACP, CCP, MCM
Examiner In Charge
Missouri Department of Insurance, Financial Institutions
and Professional Registration

State of Missouri
County of Cole

Subscribed and sworn before me Decem. 15, 2008

My commission expires August 8, 2010

Carrie Couch

Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

CARRIE L. COUCH
My Commission Expires
August 8, 2010
Moniteau County
Commission #06429682

SUPERVISON

The examination process has been monitored and supervised by the undersigned. The examination report and supporting work papers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Market Regulation Handbook has been confirmed.

Date: 12-19-8

Win Nickens, CIE, JD, CPCU
Audit Manager
Department of Insurance, Financial
Institutions, and Professional Registration