

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

In re:)
) Examination No. 0903-14-TGT
Electric Insurance Co. (NAIC #21261))

ORDER OF THE DIRECTOR

NOW, on this 16TH day of DECEMBER, 2011, Director John M. Huff, after consideration and review of the market conduct examination report of Electric Insurance Co. (NAIC #21261), (hereafter referred to as "the Company") report numbered 0903-14-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 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. 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 correctiveactions 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 \$64,849.60, 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 16TH day of DECEMBER, 2011.


John M. Huff
Director



75 Sam Fonzo Drive | Beverly, Massachusetts 01915 | 800.227.2757 | ElectricInsurance.com

RECEIVED
NOV 29 2011
DEPT OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

November 28, 2011

Carolyn H. Kerr
Senior Counsel
Missouri Department of Insurance, Financial
Institutions & Professional Registration
Division of Insurance, Market Regulation
301 West High Street, Room 530
Jefferson City, MO 65102

RE: Missouri Market Conduct Examination #0903-14-TGT
Electric Insurance Company (NAIC #21261)

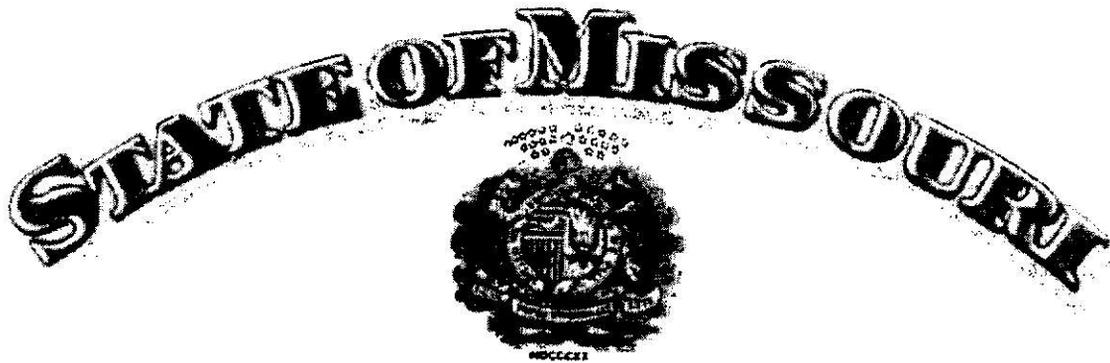
Dear Ms. Kerr:

Attached please find the original Stipulation of Settlement signed by Electric Insurance Company's General Counsel, David Greenbaum. A copy was sent to you today via email. Please do not hesitate to contact me at 978-524-5340 or ellen.robbs@electricinsurance.com if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Ellen S. Robbins".

Ellen S. Robbins
Manager of Regulatory



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

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

TO: Electric Insurance Co.
75 Sam Fonzo Dr.
Beverly, MA 01915

RE: Electric Insurance Co. (NAIC #21261)
Missouri Market Conduct Examination #0903-14-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 Electric Insurance Co. (NAIC #21261), (hereafter referred to as "Electric"), 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, Electric 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 Electric and prepared report number 0903-14-TGT; and

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

1. In some instances, Electric failed to file its homeowner underwriting guidelines with the DIFP, as required by §379.321, RSMo, and 20 CSR 500-9.100.
2. In some instances, Electric failed to file the exceptions from its ISO homeowner filings regarding tier placement rules and underwriting scoring tables with the DIFP, as required by §379.321, RSMo, and 20 CSR 500-9.100.
3. In some instances, Electric failed to file the exceptions from its ISO private passenger auto filings regarding tier placement rules and underwriting scoring tables with the DIFP, as required by §379.321, RSMo, and 20 CSR 500-9.100.
4. In some instances, Electric accepted applications that included an answer to the prohibited question regarding the applicant's prior coverage being declined, cancelled, or non-renewed, thereby violating §375.936(1)(f), RSMo, and DIFP Bulletin 94-04.
5. In some instance, Electric applied incorrect rating factors for various forms of coverage, thereby violating §379.321, RSMo, and 20 CSR 500-9.100.
6. Electric failed to print a required endorsement number and description for a policy, thereby violating §379.321, RSMo.
7. Electric applied an incorrect territory factor in one file, and failed to apply a relevant discount in another file, in violation of §379.321, RSMo.
8. In some instances, Electric improperly cancelled policies that were in effect for more than 60 days, in violation of §375.002, RSMo.
9. In some instances, Electric failed to send applicants a declination notice that was sufficiently clear and specific so as to identify the basis for the Company's decision, in violation of §379.120(1), RSMo.
10. In some instances, Electric failed to include in the notice the availability of insurance through the Missouri Joint Underwriting Association (MJUA), as required by §379.120(2), RSMo, and 20 CSR 500-2.300(6)(A).
11. In some instances, Electric failed to complete the investigation within 30 calendar days from the date the claim was reported when it reasonably could have done so, in violation of §375.1007(3), RSMo, and 20 CSR 100-1.040 (as amended, 20 CSR 100-1.050(4), eff. 7/30/08).
12. Electric failed to notify the claimant in writing within 45 days from the initial date of notification of the claim and every 45 days thereafter of the reasons why additional time was needed to complete the investigation, in violation of §375.1007(2) and (3), RSMo, and 20 CSR 100-1.050(1)(C).

13. Electric failed to provide the claimant a written claim denial letter that specifically explained the reason for the denial, as required by §375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A).

14. Electric failed to document that a total loss tax credit affidavit was sent to the claimant, as required by §144.027, RSMo, and 20 CSR 300-2.200(3)(B)3 (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

15. In some instances, Electric failed to disclose all pertinent benefits and coverages to insureds and claimants, in violation of §375.1007(1), RSMo, and 20 CSR 100-1.010, 20 CSR 100-1.020(1), and 20 CSR 500-2.100(2)(G)1.

16. In some instances, Electric failed to conduct a complete investigation to determine the full extent of its liability under the medical payment coverage of the policy, in violation of §375.1007(4), RSMo, and 20 CSR 100-1.010, 20 CSR 100-1.020(1), and 20 CSR 500-2.100(2)(G)1, and, in some instances, *Kuda v. American Family*, 790 S.W.2d 464, 467 (Mo.banc 1990).

17. In some instances, Electric 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 underwriting and rating, declination, and claims handling and payment practices of the Company, thereby violating 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

18. In some instances, Electric failed to timely and completely respond to the examiners' criticisms, thereby violating §374.205, RSMo, and 20 CSR 100-8.040.

WHEREAS, Electric 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, including, but not limited to, taking the following actions:

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

2. Electric agrees to file documentation of all remedial actions taken by it to implement compliance with the terms of this Stipulation of Settlement and Voluntary Forfeiture and to assure that the errors noted in the examination report do not recur, including explaining the steps taken and the results of such actions, with the Director within 90 days of the entry of a final Order closing this examination;

3. Electric agrees to review all of its Homeowner policy files dated January 1, 2005, to the date a final Order is entered in this matter to determine if any other policyholders were overcharged. If so, it must issue any 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 the Order finalizing this examination.

4. Electric agrees to review all of its Private Passenger Automobile policy files dated January 1, 2005, to the date a final Order is entered in this matter to determine if any other policyholders were overcharged. If so, it must issue any 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 the Order finalizing this examination.

5. Electric agrees to review all of its Private Passenger Automobile – UM/UIM claims dated January 1, 2005, to the date a final Order is entered in this matter to determine if any other claimants were underpaid. If the claim should have been paid, the Company must issue any payments that are due to the claimants, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required on all claims submitted, pursuant to §408.020, RSMo. A letter must be included with the payments, indicating that "as a result of a Missouri Market Conduct examination," it was found that additional payment was owed on the claims. Additionally, evidence must be provided to the Department that such payments have been made within 90 days after the date of the Order finalizing this examination.

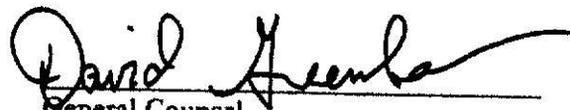
WHEREAS, Electric is of the position that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed factual and legal allegations, and that payment of a forfeiture is merely to resolve the disputes and avoid litigation; and

WHEREAS, Electric, 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, Electric hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0903-14-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$64,849.60.

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 Electric to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Electric 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 \$64,849.60, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: November 28, 2011


General Counsel
Electric Insurance Company



75 Sam Fonzo Drive | Beverly, Massachusetts 01915 | 800.227.2757 | ElectricInsurance.com

November 23, 2011

Carolyn H. Kerr
Senior Counsel
Missouri Department of Insurance, Financial
Institutions & Professional Registration
Division of Insurance, Market Regulation
301 West High Street, Room 530
Jefferson City, MO 65102

RECEIVED
NOV 25 2011

DEPT OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

RE: Missouri Market Conduct Examination #0903-14-TGT
Electric Insurance Company (NAIC #21261)

Dear Ms. Kerr:

Electric Insurance Company (the "Company") received and reviewed your letter dated September 23, 2011. The Company does not agree with the Report or the Proposal. The Company maintains that its practices do not constitute violations of the laws or regulations cited and continues to stand by its rebuttals dated July 27, 2010 and February 4, 2011. In the interest, however, of reaching resolution to this matter, the Company has agreed to settle this matter as proposed by the Missouri Department of Insurance, Financial Institutions & Professional Registration (the "Department"). Nevertheless, in this response, the Company wishes to focus on the following key items with which it disagrees.

1. Prohibited Application Question – The Company appreciates that the Department has substantially reduced the penalty related to this item, however, it is the Company's position that it did not violate § 375.936(11)(f) RSMo, or DIFP Bulletin 94-04, when it auto-filled an "X" in the "No" column of the application and, therefore, no penalty should be assessed. In fact, the pre-filled notation is intended to fully meet the statute's requirements and does exactly what the statute is meant to achieve: it prevents "any applicant or policyholder [from divulging] in a written application or otherwise whether any insurer has canceled or refused to renew or issue to the applicant or policyholder a policy of insurance."

As you know, the Company uses an ACORD Form 80 application that contains a question regarding the applicant's prior coverage being declined, cancelled, or non-renewed. The application contains a statement advising the applicant that the question is "**not applicable in Missouri.**" The Department, despite the statute and bulletin, permits the use of this application form, obviously having concluded that the manner in which the question is presented -- and modified for Missouri residents -- is compliant with Missouri law. The use of this form, however, sets up the very real possibility that an applicant may

still place a check in the “Yes” or “No” column as s/he is filling out the application manually. The Company, in an attempt to satisfy the requirements of statute § 375.936(11)(f), and to ensure that no applicant inadvertently answered the question, decided to pre-fill a “No” response to force the applicant to skip over the question. Again, the intent was never to represent an insured’s actual response and was only pre-filled in order for the applicant to ignore or skip this question. We believe that our business practice was consistent with the intent of the statute in that we do not ask this question either verbally or in writing during the application process. This question is not asked of an applicant during the quoting process nor is the information used in the eligibility, rate, or bind decision. Even if an applicant were to knowingly or unknowingly provide this information to the Company, the Company would not do anything with the information as it is not accounted for anywhere in our automated underwriting or rating systems.

More importantly, this application form containing the auto-filled “X” in the “No” column was **filed with and approved** by the Department, and we simply do not believe that the Department in any way erred in approving the form. With the Department’s confirmation that our practice met the requirements of the statute, we think we had every right to believe that we were not out of compliance.

Based on discussions with the Department, the Company has taken steps to black out both the “Yes” and “No” columns on the application form (See Attachment #1) as a means to ensure that no applicant inadvertently answers the question rather than using the auto-filled “X” in the “No” column only. The Company continues to maintain that its original solution did not violate the statute or the bulletin, and is disappointed that the Department did not agree to change the issue from a “criticism” to a “recommendation” with no forfeiture.

2. Documentation of Automobile and Homeowner Declinations – It is the position of the Company that it maintained all required documentation related to automobile and homeowner declinations. The Department, however, still maintains that the Company is in violation of 20 CSR 100-8.040 (and its predecessor regulation). The Department relies on subsection (3)(E) of the regulation. This subsection states that “[t]he insurer shall retain declined underwriting files for a period of three (3) years....The term ‘declined underwriting file’ shall mean all written or electronic records....A declined underwriting file shall include...any documentation substantiating the decision to decline an issuance of a policy....” Assuming, arguendo, that the Company’s quotation process amounts to a “preliminary application process” as alleged by the Department, the Company has still met all three requirements of this regulation:

- a. The regulation requires that documentation be maintained for a period of three years. *The Company was able to produce its documentation for the required three-year period*, as requested by the Department.
- b. The regulation requires that documentation be either written, electronic, or both. As indicated in the initial response, the Company’s business process for

obtaining requests for quotations is exclusively electronic. All data regarding a consumer seeking a quotation from the Company is input electronically into its web site (by the producer) and is stored electronically. Any reports that are run such as credit, MVR, or CLUE, are run via an automated feed and data is electronically downloaded to the Company's system. Written documentation is not obtained during this process. (Written documentation is only obtained from consumers who actually bind a policy with the Company.) The Company stores all of the information systematically in tables. *Electronic storage of this documentation complies with the regulation.*

c. The documentation must substantiate the decision to decline to issue a policy. *The data stored in the Company's tables provides all of the information used by the Company in making a decision to either decline a policy or offer a rate.*

The Company, therefore, has met all three requirements of the regulation. For purposes of the examination, the Company extracted all the electronic data elements that were obtained relative to the consumers (on the Department's sample list) who were declined a quotation and *made all of this data available to the examiners in a spreadsheet format.* It is unclear to the Company how, or why, the examiners were unable to use this data to determine whether the reasons for the decline complied with the statutes and regulations of the State of Missouri and with the Company's own underwriting eligibility guidelines and tiering guidelines. It is all the data that was used by the Company in making its decision.

The Company believes it provided the Examiners with information showing that this finding was incorrect. Over the course of multiple communications including an in-person meeting, webinar, telephone conferences, and emails, the Company answered all questions and provided all requested documentation that showed both how its quote/bind/decline flow functions and how all information is collected and stored electronically. It also provided all the data collected relative to each decline in the sample showing the basis for each decline. Nevertheless, the criticism continued to remain in the report. It was not until a telephone conference in October 2011 that the Department indicated the reason the criticism remained in the Report was that the Company had not given the Examiner access to its actual data tables where the information was stored. This was the first time the Department had articulated this concern. The Company was perfectly willing to show the data tables to the Examiner at any time, if it had been requested. In fact, the Company has since shown the data tables (containing the same data that was provided at the time of examination) to the Examiner and been assured that the data contained therein, and the method of storage, is acceptable to the Department and that, if the original data tables are provided to the Examiner in a future examination, no criticism will be issued for a failure to maintain documentation.

For the above reasons, the Company does not understand the Department's insistence on retaining the finding in the Report as the finding is not accurate and, once again, we respectfully request the Department to remove this criticism from the Report.

All decline documentation was maintained by the Company as was confirmed later by the Examiners. Given the most recent communications with the Department, the Company has been assured that the information it maintains and the method by which it maintains it is adequate and, therefore, there is no action required by the Company.

3. Written Declinations for Automobile – Although the Department does not provide a forfeiture amount for this alleged violation, the Department continues to assert that the Company was in violation of § 379.120. The Company continues to disagree with this position.

The Company stands by the arguments that it made in its original response, namely that § 379.120 must be read in conjunction with § 379.110(3), which defines the term “policy” as it is used in § 379.120. Section 379.120 requires that [i]f any insurer refuses to write a **policy** of automobile insurance, it shall, within 30 days after such refusal, send a written explanation of such refusal....” The terms used in § 379.120, however, have very specific definitions -- oftentimes very different than the way those same terms are used in other insurance statutes -- which are contained in § 379.110. Section 379.110 (3) defines the term “**policy**” as “an automobile policy...which has been **in effect for more than sixty days or has been renewed.**”

In all of the 68 cases in issue here, the consumers did not meet the criteria for receiving a quote for insurance with the Company, they did not file an application for insurance with the Company, and they were never provided with any insurance coverage from the Company. Therefore, there was never any **policy** as defined under § 379.110(3) and therefore no obligation to issue a written declination under § 379.120.

The Department, in its response, cites *Hudson v. State Security Insurance Co.*, 555 S.W.2d 859 (Mo. App. 1997), as a basis for requiring that the Company provide written declinations when no coverage is ever effectuated. The Department’s reliance on *Hudson* to substantiate its position is unfounded. First, *Hudson* deals with a cancellation that State Security Insurance Company attempted to make within the first 60 days of the policy period. The issue for which the Department is citing the Company is completely different; it relates to a situation where the Company declined to write a policy and no coverage was ever afforded. The Court does not discuss the issue of a declination to write coverage at all, nor does the case even tangentially reference this issue in dicta or otherwise. Second, the Department quotes what it terms the Court’s definition of the term “policy” as it is used in the statute. The Court states: “It is clear that the purpose of these statutes is to give the insurer a 60 day probationary period to determine whether it will exercise its option to cancel the policy....” It is unclear how the Department arrives at the conclusion, in light of *Hudson*, that “...§379.120(1) is intended to govern the period prior to coverage becoming effective” as the Court does not define it thus. What is clear is that the Court finds that the statutes in issue relate to cancellations within the first 60 days of coverage and those cancellations would require a written notice. The Company does not disagree with this position and, in fact, always issues a written notice when it refuses to write a policy where coverage has been in effect for some period of time, either during the first 60 days or anytime thereafter.

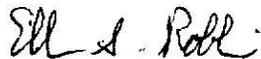
Here, there was never any coverage in place -- whether for one day or 60 days -- and therefore no obligation under the plain words and meaning of § 379.120 to issue written declinations and, once again, we respectfully request the Department to remove this criticism from the Report.

The Company understands that the Department continues to disagree with the legal argument made by the Company and it is the position of the Department that a written declination must be sent in the scenario outlined above. The Company will, therefore, begin a process of issuing these decline letters.

Conclusion

While the Company is disappointed that the above three items have remained in the Report with penalties associated with two of them, the Company is interested in bringing this matter to conclusion and, therefore, is agreeing to settle the matter for the amount proposed by the Department. The Company appreciates the time of the Department staff in working through these issues and we look forward to an ongoing positive working relationship. Please do not hesitate to contact me at 978-524-5340 or ellen.robbins@electricinsurance.com if you have any questions.

Sincerely,



Ellen S. Robbins
Manager of Regulatory

cc: Bruce Baty, Esq.

ATTACHMENT

#1



HOMEOWNER APPLICATION

DATE (MM/DD/YYYY)

AGENCY	PHONE (A/C, No, Ext):	APPLICANT'S NAME AND MAILING ADDRESS (include county & ZIP+4)			NAIC CODE	FACILITY CODE
	FAX (A/C, No):				POLICY #	
CODE:	SUBCODE:	DATE AT CURR RES	CO/PLAN	HOME PHONE #		DAY
AGENCY CUSTOMER ID		EFFECTIVE DATE	EXPIRATION DATE	BUSINESS PHONE #		EVE
						DAY
						EVE

APPLICANT INFORMATION

PREVIOUS ADDRESS (if less than 3 years)	YRS AT PREV ADDR	LOCATION OF PROPERTY IF DIFF FROM ABOVE (inc county & ZIP)					
APPLICANT'S OCCUPATION (State nature of business if self-employed)	APPLICANT'S EMPLOYER NAME AND ADDRESS	YEARS IN CURR OCC	YEARS W/ CURR ENPL	YEARS W/ PRIOR ENPL	MAR STAT	DATE OF BIRTH	SOCIAL SECURITY #
CO-APPLICANT'S OCCUPATION (State nature of business if self-employed)	CO-APPLICANT'S EMPLOYER NAME AND ADDRESS	YEARS IN CURR OCC	YEARS W/ CURR ENPL	YEARS W/ PRIOR ENPL	MAR STAT	DATE OF BIRTH	SOCIAL SECURITY #
HOW LONG HAVE YOU KNOWN THE APPLICANT?				DATE AGENT LAST INSPECTED PROPERTY:			

COVERAGES/LIMITS OF LIABILITY

HO FORM	DWELLING	OTHER STRUCTURES	PERSONAL PROPERTY	LOSS OF USE	PERSONAL LIABILITY EACH OCCURRENCE	MEDICAL PAYMENTS EACH PERSON	DED (Type & Amount)	
\$	\$	\$	\$	\$	\$	\$	ALL PERIL	
							WIND/HAIL	
							THEFT	
							NAMED HURRICANE*	

ENDORSEMENTS

<input type="checkbox"/> REPLACEMENT COST DWELLING	<input type="checkbox"/> REPLACEMENT COST CONTENTS	ENTER OTHER ENDORSEMENT(S)	EST TOTAL PREMIUM
			\$
			DEPOSIT
			\$
			BALANCE
			\$

PAYMENT PLAN

ACORD 610 Attached (NOT APPLICABLE IN NC)

ACCOUNT #:	MAIL POLICY TO:
BILLING	AGENT
<input type="checkbox"/> DIRECT BILL	<input type="checkbox"/> APPLICANT
<input type="checkbox"/> AGENCY BILL	<input type="checkbox"/> OTHER:
IF DIRECT BILL:	IF APPLICANT BILL:
<input type="checkbox"/> BILL APPLICANT	<input type="checkbox"/> FULL PAY
<input type="checkbox"/> OTHER:	<input type="checkbox"/> OTHER:

RATING/UNDERWRITING

FRAME	MFG HOME	YR BUILT	# ROOMS	MARKET VALUE	STRUCTURE TYPE	USAGE TYPE	FARM	# FAMILIES	# HSEHLD RES	PURCHASE DATE/PRICE
MASONRY	VINYL SIDING			\$	DWELLING	PRIMARY	COC			
MASONRY VENEER	ALUMINUM SIDING	SQ FT	# APTS	REPLACEMENT COST	APART	SECONDARY	COMP. DATE:			
FIRE RES				\$	CONDO	SEASONAL				
NUMBER OF FIRE DIVS	TERR CODE	PREM GROUP	PROTECT CLASS	DISTANCE TO HYDRANT	FIRE STATION	PROTECTION DEVICE TYPE	HEAT TYPE	NONE	RENOVATION TYPE	PART/COMP YEAR
				FT	MI	SYSTEM SMOKE TEMP BURGLAR	PRIMARY:		WIRING	
						CENTRAL	SECONDARY:		PLUMBING	
FIRE/EC RATE	FIRE DISTRICT/CODE NUMBER					DIRECT	HOUSEKEEPING CONDITION		HEATING	
						LOCAL			ROOFING	
DATE HEATING SYSTEM LAST SERVICED	NUM OF AMPS (ELEC SYST)	CIRCUIT BREAKERS	FUSES	KNOB & TUBE OR ALUMINUM WIRING	PLUMBING SYSTEM CONDITION	PLUMBING SYSTEM ANY KNOWN LEAKS	FOUNDATION	CLOSED		
		YES NO	YES NO	YES NO		YES NO	OPEN	NONE		
DWELLING LOCATION	OCCUPANCY	DEADBOLT	OIL STORAGE TANK LOCATION	SWIMMING POOL	WINDSTORM LOSS MITIGATION FEATURES					
WITHIN CITY LIMITS	OWNER		INDOORS	APPROVED FENCE						
WITHIN FIRE DIST	TENANT		OUTDOORS	DIVING BOARD						
WITHIN PROT SUBURB			ABOVE GROUND ON MASONRY FLOOR	SLIDE						
			ABOVE GROUND NOT ON MASONRY FLOOR							
BLDG CODE GRADE	INSPECTED?	TAX CODE	RATING	OCCUPIED DAILY?	# WKS RENTED	WIND CLASS	SEMI-RESISTIVE	ROOF MATERIAL	CONDITION OF ROOF	
	YES NO		CLASS SPEC	YES NO			OTHER			
IF REPLACEMENT COST APPLIES, ACORD 42 ATTACHED:										
BASEMENT	GARAGE	BREEZEWAY	RATING CREDITS	MANNED SECURITY OFF PREMISES THEFT EXCL	SPRINKLER	FIREPLACES (Enter Number)				
SQ FT	SQ FT	SQ FT	NON-SMOKER LIGHTNING PROTECTION		PARTIAL	CHIMNEYS				
					FULL	HEARTHES				
						PRE-FAB WOOD STOVE INSERT				

GENERAL INFORMATION

EXPLAIN ALL "YES" RESPONSES IN REMARKS	YES	NO	EXPLAIN ALL "YES" RESPONSES IN REMARKS (Except question 15, 16 and 17)	YES	NO
1. ANY FARMING OR OTHER BUSINESS CONDUCTED ON PREMISES? (Including day/child care)			14. DURING THE LAST FIVE YEARS (TEN YEARS IN RHODE ISLAND), HAS ANY APPLICANT BEEN CONVICTED OF ANY DEGREE OF THE CRIME OF ARSON? (In RI, failure to disclose the existence of an arson conviction is a misdemeanor punishable by a sentence of up to one year of imprisonment.)		
2. ANY RESIDENCE EMPLOYEES? (Number and type of full and part time employees)					
3. ANY FLOODING, BRUSH, FOREST FIRE HAZARD, LANDSLIDE, ETC?			RENTERS AND CONDOS ONLY:	15. IS THERE A MANAGER ON THE PREMISES?	
4. ANY OTHER RESIDENCE OWNED, OCCUPIED OR RENTED?				16. IS THERE A SECURITY ATTENDANT?	
5. ANY OTHER INSURANCE WITH THIS COMPANY? (List policy numbers)				17. IS THE BUILDING ENTRANCE LOCKED?	
6. HAS INSURANCE BEEN TRANSFERRED WITHIN AGENCY?			18. ANY UNCORRECTED FIRE OR BUILDING CODE VIOLATIONS?		
7. ANY COVERAGE DECLINED, CANCELLED OR NON-RENEWED DURING THE LAST 3 YEARS? (Not applicable in MO)			19. IS BUILDING UNDERGOING RENOVATION OR RECONSTRUCTION? (Give estimated completion date and dollar value)		
8. HAS APPLICANT HAD A FORECLOSURE, REPOSSESSION, BANKRUPTCY, JUDGEMENT OR LIEN DURING THE PAST FIVE YEARS?			20. IS HOUSE FOR SALE?		
9. ARE THERE ANY ANIMALS OR EXOTIC PETS KEPT ON PREMISES? (Note breed and bite history)			21. IS PROPERTY W/IN 300 FT OF A COMMERCIAL OR NON-RESIDENTIAL PROPERTY?		
10. IS PROPERTY LOCATED WITHIN TWO MILES OF TIDAL WATER?			22. IS THERE A TRAMPOLINE ON THE PREMISES?		
11. IS PROPERTY SITUATED ON MORE THAN FIVE ACRES? (If yes, describe land use)			23. WAS THE STRUCTURE ORIGINALLY BUILT FOR OTHER THAN A PRIVATE RESIDENCE AND THEN CONVERTED?		
12. DOES APPLICANT OWN ANY RECREATIONAL VEHICLES (SNOW MOBILES, DUNE BUGGYS, MINI BIKES, ATVS, ETC)? (List year, type, make, model)			24. ANY LEAD PAINT HAZARD?		
13. IS BUILDING RETROFITTED FOR EARTHQUAKE? (If applicable)			25. IF A FUEL OIL TANK IS ON PREMISES, HAS OTHER INSURANCE BEEN OBTAINED FOR THE TANK? (Give First Party and limit, and Third Party and limit)		
			26. IF BUILDING IS UNDER CONSTRUCTION, IS THE APPLICANT THE GENERAL CONTRACTOR?		

LOSS HISTORY			ANY LOSSES, WHETHER OR NOT PAID BY INSURANCE, DURING THE LAST _____ YEARS, AT THIS OR AT ANY OTHER LOCATION?	YES	NO	IF YES, INDICATE BELOW	APPLICANT'S INITIALS:	
DATE	TYPE	DESCRIPTION OF LOSS					CAT #	AMOUNT

PRIOR COVERAGE		
PRIOR CARRIER	PRIOR POLICY NUMBER	EXPIRATION DATE

ADDITIONAL INTEREST			
INT #	MORTGAGE	NAME AND ADDRESS	LOAN NUMBER
	ADDL INT		

REMARKS (Attach Additional Sheets if More Space is Required)	ATTACHMENTS	
	STATE SUPPLEMENT(S) (If applicable)	PROTECTION DEVICE CERTIFICATE
	INLAND MARINE APPLICATION	PERS EXCESS/UMBRELLA APP
	REPLACEMENT COST ESTIMATE	RECREATIONAL VEHICLE APP
	PHOTOGRAPH	WATERCRAFT APPLICATION
	SOLID FUEL SUPPLEMENT	LEAD FREE PAINT CERTIFICATION
	EARTHQUAKE APPLICATION	HOME BASED BUSINESS SUPP
FOR COMPANY USE ONLY		

INSURANCE BINDER		IF THE "BINDER" BOX TO THE LEFT IS COMPLETED, THE FOLLOWING CONDITIONS APPLY: THIS COMPANY BINDS THE KIND(S) OF INSURANCE STIPULATED ON THIS APPLICATION. THIS INSURANCE IS SUBJECT TO THE TERMS, CONDITIONS AND LIMITATIONS OF THE POLICY(IES) IN CURRENT USE BY THE COMPANY. THIS BINDER MAY BE CANCELLED BY THE INSURED BY SURRENDER OF THIS BINDER OR BY WRITTEN NOTICE TO THE COMPANY STATING WHEN CANCELLATION WILL BE EFFECTIVE. THIS BINDER MAY BE CANCELLED BY THE COMPANY BY NOTICE TO THE INSURED IN ACCORDANCE WITH THE POLICY CONDITIONS. THIS BINDER IS CANCELLED WHEN REPLACED BY A POLICY. IF THIS BINDER IS NOT REPLACED BY A POLICY, THE COMPANY IS ENTITLED TO CHARGE A PREMIUM FOR THE BINDER ACCORDING TO THE RULES AND RATES IN USE BY THE COMPANY. THE QUOTED PREMIUM IS SUBJECT TO VERIFICATION AND ADJUSTMENT, WHEN NECESSARY, BY THE COMPANY.
EFFECTIVE DATE	EXPIRATION DATE	
TIME	12:01 AM NOON	
COVERAGE IS NOT BOUND		

PERSONAL INFORMATION ABOUT YOU, INCLUDING INFORMATION FROM A CREDIT REPORT, MAY BE COLLECTED FROM PERSONS OTHER THAN YOU IN CONNECTION WITH THIS APPLICATION FOR INSURANCE AND SUBSEQUENT AMENDMENTS AND RENEWALS. CREDIT SCORING INFORMATION MAY BE USED TO DETERMINE EITHER YOUR ELIGIBILITY FOR INSURANCE OR THE PREMIUM YOU WILL BE CHARGED. WE MAY USE A THIRD PARTY IN CONNECTION WITH THE DEVELOPMENT OF YOUR SCORE. SUCH INFORMATION AS WELL AS OTHER PERSONAL AND PRIVILEGED INFORMATION COLLECTED BY US OR OUR AGENTS MAY IN CERTAIN CIRCUMSTANCES BE DISCLOSED TO THIRD PARTIES WITHOUT YOUR AUTHORIZATION. YOU HAVE THE RIGHT TO REVIEW YOUR PERSONAL INFORMATION IN OUR FILES AND CAN REQUEST CORRECTION OF ANY INACCURACIES. A MORE DETAILED DESCRIPTION OF YOUR RIGHTS AND OUR PRACTICES REGARDING SUCH INFORMATION IS AVAILABLE UPON REQUEST. CONTACT YOUR AGENT OR BROKER FOR INSTRUCTIONS ON HOW TO SUBMIT A REQUEST TO US. COPY OF THE NOTICE OF INFORMATION PRACTICES (PRIVACY) HAS BEEN GIVEN TO THE APPLICANT. (Not applicable in all states)

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR ANOTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SUBJECTS THE PERSON TO CRIMINAL AND [NY: SUBSTANTIAL] CIVIL PENALTIES. (Not applicable in CO, HI, NE, OH, OK, OR, or VT; in DC, LA, ME, TN and VA, insurance benefits may also be denied)

APPLICANT'S STATEMENT: I HAVE READ THE ABOVE APPLICATION AND ANY ATTACHMENTS. I DECLARE THAT THE INFORMATION PROVIDED IN THEM IS TRUE, COMPLETE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. THIS INFORMATION IS BEING OFFERED TO THE COMPANY AS AN INDUCEMENT TO ISSUE THE POLICY FOR WHICH I AM APPLYING.

APPLICANT'S SIGNATURE	DATE	PRODUCER'S SIGNATURE	NATIONAL PRODUCER NUMBER

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



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

Electric Insurance Company
NAIC # 21261

MISSOURI EXAMINATION # 0903-14-TGT

NAIC EXAM TRACKING SYSTEM # MO268-M111

September 22, 2011

Home Office
75 Sam Fonzo Drive
Beverly, MA 01915

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FOREWORD

This is a targeted market conduct examination report of Electric Insurance Company, (NAIC Code # 21261). 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 “Electric” refers to Electric 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;
- “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, §§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, 2007, through December 31, 2008, 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: claims, complaints, underwriting, and terminations, for private passenger automobile and homeowner 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.

“Electric Insurance Company was incorporated on April 21, 1966, under the laws of Massachusetts and became licensed on September 28, 1966. In Missouri, the Company writes automobile and homeowner insurance through both the direct channel and the independent agent channel. The Company was founded in 1966 principally to serve the personal insurance needs of General Electric employees and has since expanded to the general public. Today, the Company insures well over 100,000 policyholders.”

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 Electric Insurance Company.

The following concerns were noted:

Forms and Filings

- The Company failed to file its homeowner underwriting guidelines for policies in effect during the examination time frame.
- The Company failed to file the exceptions from Electric's ISO homeowner and private passenger auto filings for tier placement and underwriting scoring tables.

Homeowners Underwriting & Rating

- In 46 instances, Electric accepted applications that included an answer to the prohibited question concerning an applicant's prior coverage being declined, cancelled or non-renewed.
- In three instances, the Company applied incorrect construction rating factors for earthquake coverage, resulting in premium overcharges totaling \$727.25.
- In four instances, the Company applied incorrect earthquake rating factors that resulted in premium undercharges totaling \$152.00.
- In four instances, the Company miscalculated earthquake coverage that resulted in premium undercharges totaling \$157.00.
- In three instances, the Company applied incorrect rating factors (electric, plumbing, and roofing) that resulted in premium undercharges totaling \$143.00.
- In one instance, the Company failed to print the form number and description of an endorsement on the policy declaration page.
- In two instances, the Company failed to provide complete underwriting files for review. Therefore, applied rating factors could not be verified.

Private Passenger Auto Underwriting and Rating

- In one instance, the Company applied an incorrect territory, resulting in a \$69.00 premium undercharge.

- In one instance, the Company failed to apply a marriage discount, resulting in a \$22 premium overcharge.

Homeowner Cancellations, Non-Renewals, Rescissions, and Declinations

- In five instances, the Company improperly canceled homeowner policies that were in effect for more than 60 days for reasons other than that permitted by statute.
- In 103 instances, the Company failed to provide complete declination files for review. Files lacked supporting documentation for the declination reason.

Private Passenger Auto Cancellations, Non-Renewals, Rescissions, and Declinations

- In 68 instances, the Company failed to send applicants a sufficiently clear and specific declination notice. Electric failed to notify applicants of available coverage through the Missouri Joint Underwriting Association (MJUA).
- In 68 instances, the Company also failed to provide complete private passenger auto declination files for review. Files lacked supporting documentation for the declination reason.

Homeowner Claims

- In one instance, Electric failed to provide a claimant with a written claim denial that explained the reason for the denial.
- In two instances, Electric failed to complete an investigation within 30 days of claim notification.
- In one instance, the Company failed to notify the claimant in writing within 45 days from the initial date of notification and every 45 days thereafter as to the reasons additional time was needed to complete the claim investigation.
- In four instances, the Company failed to provide complete claim files for review. Claim files lacked proof of loss and estimated cost of damages documentation.

Private Passenger Auto Claims

- In five instances, Electric failed to disclose to claimants that limits of medical payments coverage were available for adjudication. The Company also coordinated payments in conjunction with claimants' other health coverage. The resulting claim underpayments total \$12,501.50.

- In one instance, the Company failed to inform the insured of policy provisions to collect the same amount up to the limits specified in the policy for medical payments and uninsured motorist coverage. In another instance, the Company offset uninsured motorist against medical payments coverage. The resulting underpayments total \$1,966.01
- In one instance, Electric failed to document that a total loss tax credit affidavit was sent to the claimant.

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

Electric markets its products through an independent agency system, direct response system, and affinity group 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 Electricinsurance.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.

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 the insured.

The following are the results of the reviews:

1. Homeowners

Electric failed to file its homeowners underwriting guidelines for policies in effect during the examination time frame (2007-2008) with DIFP as required. However, the Company did file the guidelines in 2009.

Reference: §379.321, RSMo, and 20 CSR 500-9.100.

The Company failed to file the exceptions from Electric's ISO homeowner filings regarding tier placement rules and underwriting scoring tables as required.

Reference: §379.321, RSMo, and 20 CSR 500-9.100.

2. Private Passenger Auto

The Company failed to file the exceptions from Electric's ISO private passenger auto filings regarding tier placement rules and underwriting scoring tables as required.

Reference: §379.321, RSMo, and 20 CSR 500-9.100.

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. Homeowners

Field Size: 6,368 total
2,231 files dated pre-8/28/07
4,137 files dated post-8/28/07

Sample Size: 103 total
25 files dated pre-8/28/07
78 files dated post-8/28/07

Type of Sample: Random

Number of Errors: 63 total
13 files dated pre-8/28/07
50 files dated post-8/28/07

Error Ratio: 61.2% total
52% files dated pre-8/28/07
64.1% files dated post-8/28/07

Within DIFP Guidelines: No

In 46 instances, the Company accepted an application that included an answer to the prohibited question concerning an applicant's prior coverage being declined, cancelled or non-renewed.

<u>Policy Number</u>	<u>Policy Number</u>	<u>Policy Number</u>
xxxx559H1	xxxx835H1	xxxx711H1
xxxx318H1	xxxx680H1	xxxx415H1
xxxx671H1	xxxx582H1	xxxx969H1
xxxx760H1	xxxx074H1	xxxx990H1
xxxx091H1	xxxx449H1	xxxx063H1
xxxx812H1	xxxx641H1	xxxx655H1
xxxx256H1	xxxx948H1	xxxx226H1
xxxx592H1	xxxx349H1	xxxx571H1
xxxx489H1	xxxx387H1	xxxx570H1
xxxx089H1	xxxx568H1	xxxx219H1
xxxx093H1	xxxx764H1	xxxx625H1
xxxx670H1	xxxx206H1	xxxx846H1
xxxx675H1	xxxx177H1	xxxx980H1
xxxx780H1	xxxx474H1	xxxx501H1
xxxx243H1	xxxx632H1	
xxxx408H1	xxxx245H1	

References: §375.936(11)(f), RSMo, and DIFP Bulletin 94-04.

In three instances, Electric applied incorrect construction rating factors for earthquake coverage that resulted in premium overcharges. In those same files, the Company accepted applications that included an answer to the prohibited question concerning an applicant's prior coverage being declined, cancelled or non-renewed.

<u>Policy Number</u>	<u>Overcharge</u>	<u>Interest</u>	<u>Total</u>
xxxx159H1	\$404.00	\$42.05	\$446.05
xxxx667H1	247.00	26.22	273.22
xxxx947H1	<u>7.00</u>	<u>.98</u>	<u>7.98</u>
Total	\$658.00	\$69.25	\$727.25

References: §§379.321, 375.936(11)(f), RSMo, and DIFP Bulletin 94-04.

In four instances, Electric applied incorrect earthquake rating factors that resulted in premium undercharges. In those same files, the Company accepted applications that included an answer to the prohibited question concerning an applicant's prior coverage being declined, cancelled or non-renewed.

<u>Policy Number</u>	<u>Undercharge</u>
xxxx901H1	\$100.00
xxxx131H1	34.00
xxxx990H1	12.00
xxxx660H1	<u>6.00</u>
Total	\$152.00

References: §§379.321, 375.936(11)(f), RSMo, and DIFP Bulletin 94-04.

In three instances, the Company accepted applications that included an answer to the prohibited question concerning an applicant's prior coverage being declined, cancelled or non-renewed. Electric also miscomputed earthquake coverage for these HO6 homeowner policies that resulted in premium undercharges.

<u>Policy Number</u>	<u>Undercharge</u>
xxxx149H1	\$71.00
xxxx962H1	23.00
xxxx652H1	<u>39.00</u>
Total	\$133.00

References: §§379.321, 375.936(11)(f), RSMo, and DIFP Bulletin 94-04.

In one instance, Electric applied an incorrect rating factor for the electrical system that resulted in a premium undercharge. In that same file, the Company accepted the application that included an answer to the prohibited question concerning an applicant's prior coverage being declined, cancelled or non-renewed.

<u>Policy Number</u>	<u>Undercharge</u>
xxxx750H1	\$34.00

References: §§379.321, 375.936(11)(f), RSMo, and DIFP Bulletin 94-04.

In one instance, the Company failed to print a water backup sewer discharge endorsement number and description on the declaration page of the policy. Electric accepted that application which included an answer to the prohibited question concerning an applicant's prior coverage being declined, cancelled or non-renewed.

<u>Policy Number</u>
xxxx395H1

References: §§379.321, 375.936(11)(f), RSMo, and DIFP Bulletin 94-04.

In one instance, Electric miscalculated earthquake coverage that resulted in a premium undercharge of \$24.00.

<u>Policy Number</u>
xxxx313H1

References: §379.321, RSMo.

In one instance, the Company applied an incorrect rating factor for age of the plumbing system, resulting in a premium undercharge.

<u>Policy Number</u>	<u>Undercharge</u>
xxxx381H1	\$99.00

References: §379.321, RSMo and 20 CSR 500-9.100.

In one instance, Electric applied an incorrect rating factor for roof age of the dwelling, resulting in a premium undercharge of \$10.00.

Policy Number

Undercharge

xxxx980H1

\$10.00

References: §379.321, RSMo and 20 CSR 500-9.100.

In two instances, the examiners were unable to ascertain the underwriting practices of the Company due to incomplete files that lacked documentation to verify the applied electrical and plumbing rating factors.

Policy Number

xxxx268H1

xxxx908H1

References: 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, effective 7/30/08).

Although not projected in the error ratio, Electric acknowledged a systematic computational error occurred for earthquake coverage on HO6 homeowner policies. The error resulted in 172 undercharges during the exam time frame from a field of 194 policies. The error was corrected upon renewal, but Electric did not seek reimbursement from insureds for the undercharged earthquake premium.

| <u>Policy Number</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| xxx9288H1 | xxx1387H1 | xxx0655H1 | xxx0751H1 | xxx3484H1 |
| xxx4035H1 | xxx1414H1 | xxx1282H1 | xxx0988H1 | xxx4058H1 |
| xxx3964H1 | xxx2262H1 | xxx2231H1 | xxx1607H1 | xxx4548H1 |
| xxx4109H1 | xxx3670H1 | xxx3627H1 | xxx1621H1 | xxx4651H1 |
| xxx4886H1 | xxx3798H1 | xxx4163H1 | xxx1953H1 | xxx4990H1 |
| xxx2439H1 | xxx3852H1 | xxx4183H1 | xxx1957H1 | xxx5374H1 |
| xxx3276H1 | xxx4280H1 | xxx4433H1 | xxx2651H1 | xxx5756H1 |
| xxx7453H1 | xxx4719H1 | xxx4855H1 | xxx2856H1 | xxx6369H1 |
| xxx9615H1 | xxx4847H1 | xxx4888H1 | xxx2941H1 | xxx6734H1 |
| xxx0958H1 | xxx5168H1 | xxx5348H1 | xxx3170H1 | xxx6962H1 |
| xxx6390H1 | xxx7322H1 | xxx6744H1 | xxx3332H1 | xxx7575H1 |
| xxx6475H1 | xxx7618H1 | xxx6830H1 | xxx3668H1 | xxx7578H1 |
| xxx7596H1 | xxx7779H1 | xxx6831H1 | xxx4019H1 | xxx7962H1 |
| xxx0503H1 | xxx8959H1 | xxx7187H1 | xxx4134H1 | xxx8075H1 |
| xxx0671H1 | xxx9937H1 | xxx7549H1 | xxx4161H1 | xxx8092H1 |
| xxx0962H1 | xxx0564H1 | xxx7802H1 | xxx5369H1 | xxx8336H1 |
| xxx2320H1 | xxx0772H1 | xxx8613H1 | xxx5653H1 | xxx8915H1 |
| xxx2873H1 | xxx0906H1 | xxx9294H1 | xxx6001H1 | xxx9060H1 |

xxx2939H1	xxx1436H1	xxx9860H1	xxx6407H1	xxx9135H1
xxx4070H1	xxx1519H1	xxx0438H1	xxx7558H1	xxx9313H1
xxx4970H1	xxx2221H1	xxx2927H1	xxx7834H1	xxx9344H1
xxx5109H1	xxx3594H1	xxx4790H1	xxx8420H1	xxx9373H1
xxx5136H1	xxx4149H1	xxx4807H1	xxx8538H1	xxx9633H1
xxx6165H1	xxx4381H1	xxx5815H1	xxx8568H1	xxx0302H1
xxx6920H1	xxx5688H1	xxx5826H1	xxx8761H1	xxx0302H2
xxx7828H1	xxx7366H1	xxx6057H1	xxx8805H1	xxx0306H1
xxx8073H1	xxx8005H1	xxx7922H1	xxx9458H1	xxx0557H1
xxx8237H1	xxx8092H1	xxx8748H1	xxx0323H2	xxx0931H1
xxx8543H1	xxx8960H1	xxx8845H1	xxx0722H1	xxx1105H1
xxx8877H1	xxx9165H1	xxx9302H1	xxx1294H1	xxx3076H1
xxx9073H1	xxx9591H1	xxx9684H1	xxx1531H1	xxx3148H1
xxx0069H1	xxx9649H1	xxx9784H1	xxx1556H1	xxx3287H1
xxx0358H1	xxx9774H1	xxx9828H1	xxx1660H1	
xxx0833H1	xxx0253H1	xxx9886H1	xxx2559H1	
xxx0875H1	xxx0652H1	xxx0071H1	xxx3106H1	

2. Private Passenger Automobile

Field Size: 4,192 total
1,388 files dated pre-8/28/07
2,804 files dated post-8/28/07

Sample Size: 100 total
29 files dated pre-8/28/07
71 files dated post-8/28/07

Type of Sample: Random

Number of Errors: 2 total
1 file dated pre-8/28/07
1 file dated post-8/28/07

Error Ratio: 2% total
3.4% files dated pre-8/28/07
1.4% files dated post-8/28/07

Within DIFP Guidelines: Yes

In one instance, Electric applied an incorrect territory factor, resulting in an undercharge of \$69.00.

Policy Number

xxxx161A3

Reference: §379.321, RSMo.

In one instance, the Company failed to apply a marriage discount of 5% to all vehicles on the policy, resulting in an overcharge of \$22.00. Electric failed to make the refund during the examination.

Policy Number

xxxx843A1

Reference: §379.321, RSMo.

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. Homeowners – Cancellations and Non-Renewals

Field Size: 32 total
5 files dated pre-8/28/07
27 files dated post-8/28/07

Type of Sample: Census

Number of Errors: 5 total
1 file dated pre-8/28/07
4 files dated post-8/28/07

Error Ratio: 15.6% total
20% files dated pre-8/28/07
14.8% files dated post-8/28/07

Within DIFP Guidelines: No

In five instances, Electric improperly canceled policies that were in effect for greater than 60 days for reasons other than permitted by statute.

Policy Number

xxxx957H1
xxxx315H1
xxxx212H1
xxxx100H1
xxxx929H1

Reference: §375.002, RSMo.

2. Homeowners – Declinations

Field Size: 480 total
150 files dated pre-8/28/07
330 files dated post-8/28/07

Sample Size: 103 total
37 files dated pre-8/28/07
66 files dated post-8/28/07

Type of Sample: Random

Number of Errors: 103 total
37 files dated pre-8/28/07
66 files dated post-8/28/07

Error Ratio: 100% total
100% files dated pre-8/28/07
100% files dated post-8/28/07

Within DIFP Guidelines: No

In all instances, the Examiners were unable to ascertain the underwriting and declination practices of the Company due to incomplete files. The files lacked documentation supporting the reason for declination, including but not limited to applications, property inspection reports, and credit scoring reports.

<u>Quote No.</u>	<u>Quote No.</u>	<u>Quote No.</u>	<u>Quote No.</u>
WBH635HH1	IAT769NH1	IAG472CH1	IAJ155KH1
IAQ783MH1	30707422	IAM254NH1	34053138
30786387	IAV637PH5	IAM254NH1	43222765

<u>Quote No.</u>	<u>Quote No.</u>	<u>Quote No.</u>	<u>Quote No.</u>
1060983	35778651	WB9738DH1	IAV567QH3
35925308	IAV637PH7	36546324	36835276
IAU307PH4	IAH330GH1	WBG019JH2	NFN961WH1
IAM736QH7	IAV658MH1	35606191	CMP604VH1
IAN452SH2	35925307	IAF834JH1	34045076
IA8809518	IAJ365EH2	IAH585JH1	IAN686PH4
IAT525WH3	35674729	IAT084RH1	30707422
IAE977JH2	IAS842PH1	IAT084RH1	IAH335BHA
IAG590AH1	IAU831RH2	IAP193QH1	IA1K688H1
35646362	IAU146TH2	IAN371MH2	IAQ419PH1
IAV160QH7	IA4026NA1	NFU183TH1	IAH543EH1
8121,2,3,4,5	IAQ904RH6	IA8993TA1	CMT558UH1
36415273	31643996	NFQ706SH1	IAG193HH1
IAT478RH1	IAG178GH2	IAV417VH1	IAS670RH1
35778667	IAF690AH1	IAT900RH5	IAT144MHB
IAG469HH1	IAM704SH1	IAS056PH1	IAN890NH9
IAV150QH3	IAM704SH1	ANU191WH1	36274756
IAJ582KH3	IAT809NH1	ANJ240EH1	IAT999VH2
NF8P003H1	IAT377SH1	IAU534MH5	NFT203QH1
30306274	IAF271AH4	IAU785PH5	NFT409QH2
IAN546NH2	31271663	IAP226VH2	IAT952SHD
IAE132BH1	IAN270NH1	IAE911EH1	IAV431PH5
IAS143UH1	NFF367CH1	6288193H1	

Reference: 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, effective 7/30/08).

3. Private Passenger Automobile - Cancellations and Non-Renewals

Field Size: 31
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

4. Private Passenger Automobile - Declinations

Field Size: 980 total
216 files dated pre-8/28/07
764 files dated post-8/28/07

Sample Size: 104 total
27 files dated pre-8/28/07
77 files dated post-8/28/07

Type of Sample: Random

Number of Errors: 68 total
15 files dated pre-8/28/07
53 files dated post-8/28/07

Error Ratio: 65.4% total
55.6% files dated pre-8/28/07
68.8% files dated post-8/28/07

Within DIFP Guidelines: No

In 68 instances, Electric failed to send applicants a declination notice that was sufficiently clear and specific so that a person of average intelligence could identify the basis for the Company's decision without further inquiry. The Company also failed to send applicants a notice regarding available coverage through the Missouri Joint Underwriting Association (MJUA).

Examiners were also unable to ascertain the underwriting and declination practices of the Company due to these incomplete files in that the files lacked documentation supporting the reason for declination, including but not limited to applications, MVR reports, credit scoring reports, and proof of mailing certificates.

<u>Quote No.</u>	<u>Quote No.</u>	<u>Quote No.</u>
8588037	8764251	9234474
10175464	9143586	10126187
8468350	9228848	10065785
8250504	9203527	9250914
9262212	10120391	4974788
8315193	9251176	7810462
9384882	7845917	9040290
8065260	6038282	8353666
6379669	AN9376932	9143586
8625511	7158888	10097657

<u>Quote No.</u>	<u>Quote No.</u>	<u>Quote No.</u>
10118082	9318579	8065662
10620164	IA0700837	9262384
0186447	8042216	10054534
7634231	NF3088MA1	7397819
10003772	9239120	9197566
10118212	8492620	9212981
9096095	8812939	7760175
5944253	8937890	9301663
9310316	10214150	7885686
9022405	7669119	7926363
9339569	8723751	8353666
8052484	8670801	8266356
10269362	10108542	

Reference: §379.120, RSMo, and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, effective 7/30/08), and 20 CSR 500-2.300(6)(A).

III. 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, 2008, through December 31, 2008.

A claim 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., §§375.1000 – 375.1018 and §375.445) and compared with the NAIC benchmark error rate of seven percent (7%). Error rates in excess of the NAIC or statutory benchmark error rate[s] 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.

A claim error includes, but is not limited to, any of the following:

- An unreasonable delay in the acknowledgement of a claim.
- An unreasonable delay in the investigation of a claim.
- An unreasonable delay in the payment or denial of a claim.
- A failure to calculate claim benefits correctly.
- A failure to comply with Missouri law regarding claim settlement practices.

The examiners reviewed the claim files for timeliness. In determining timeliness, 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 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.

A. Claims Time Studies

To test for compliance with timeliness standards, the examiners reviewed claim records and calculated the amount of time taken by the Company for claims processing. They reviewed the Company's claims processing practices relating to (1) the acknowledgement of receipt of

notification of claims; (2) the investigation of claims; and (3) the payment of claims or the providing of an explanation for the denial of claims.

DIFP regulations require companies to abide by the following parameters for claims processing:

- Acknowledgement of the notification of a claim must be made within 10 working days.
- Completion of the investigation of a claim must be made within 30 calendar days after notification of the claim. If more time is needed, the Company must notify the claimant and send follow-up letters every 45 days.
- Payment or denial of a claim must be made within 15 working days after investigation of the claim is complete.

The following are the results of the reviews:

1. Homeowners

Field Size: 354 total
89 files dated pre-8/28/07
265 files dated post-8/28/07

Sample Size: 200 total
45 files dated pre-8/28/07
155 files dated post-8/28/07

Type of Sample: Random

Number of Errors: 3 total
1 file dated pre-8/28/07
2 file dated post-8/28/07

Error Ratio: 1.5% total
2.2% files dated pre-8/28/07
1.3% files dated post-8/28/07

Within DIFP Guidelines: Yes

In two instances, the Company failed to complete the investigation within 30 calendar days from the date the claim was reported.

Claim Number

xxxxxx23020
xxxxxx18078

References: §375.1007(3), RSMo, and 20 CSR 100-1.040 (as amended, 20 CSR 100-1.050(4), effective 7/30/08).

In one instance, Electric failed to notify the claimant in writing within 45 days from the initial date of notification and every 45 days thereafter as to the reasons why additional time was needed to complete the claim investigation.

Claim Number

xxxxxx31028

References: §375.1007(2) & (3), RSMo, and 20 CSR 100-1.050 (1)(C)

2. Private Passenger Automobile – Physical Damage

Field Size: 731
Sample Size 100
Type of Sample: Random
Number of Errors 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

3. Private Passenger Automobile – Medical Payments

Field Size: 56
Type of Sample: Census
Number of Errors 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

4. Private Passenger Automobile – UM / UIM

Field Size: 6
Type of Sample: Census
Number of Errors 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

B. Unfair Settlement and General Handling Practices

In addition to the Claim Time Studies, examiners reviewed the Company's claim handling processes to determine compliance with contract provisions and adherence to unfair claims statutes and regulations. Whenever a claim file reflected that the Company failed to meet these standards, the examiners cited the Company for noncompliance.

The following are the results of the reviews:

1. Homeowners

Field Size: 354 total
89 files dated pre-8/28/07
265 files dated post-8/28/07

Sample Size: 200 total
45 files dated pre-8/28/07
155 files dated post-8/28/07

Type of Sample: Random

Number of Errors: 5 total
1 file dated pre-8/28/07
4 file dated post-8/28/07

Error Ratio: 2.5% total
2.2% files dated pre-8/28/07
2.6% files dated post-8/28/07

Within DIFP Guidelines: Yes

In one instance, Company failed to provide a claimant with a written claim denial that explained the reason for the denial.

Claim Number

xxxxxxxx23020

References: §375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A)

In three instances, the Company failed to provide complete files for review in that documentation for estimated cost of damages was not present in the claim files.

Claim Number

xxxxxxxx21050
xxxxxxxx29004
xxxxxxxx09015

Reference: 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040, effective 7/30/08).

In one instance, the Company failed to provide examiners with a complete file for review. The claim file lacked proof of loss documentation.

Claim Number

xxxx30047

Reference: 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040, effective 7/30/08).

2. Private Passenger Automobile – Physical Damage

Field Size: 731
Sample Size 100
Type of Sample: Random
Number of Errors 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

Errors not included in ratio

Also noted in the sample were the following errors, which are not included in the error ratio above:

Failure to Maintain Sales Tax Affidavits

In one instance, Electric failed to document that a total loss tax credit affidavit was sent to the claimant.

Claim Number

xxxxxxxx08006

Reference: §144.027, RSMo, and 20 CSR 300-2.200(3)(B)(3) (as replaced by 20 CSR 100-8.040, effective 7/30/08).

3. Private Passenger Automobile – Medical Payments

Field Size: 56 total
 15 files dated pre-8/28/07
 41 files dated post-8/28/07

Type of Sample: Census

Number of Errors: 5 total
 1 file dated pre-8/28/07
 4 files dated post-8/28/07

Error Ratio: 8.9% total
 6.7% files dated pre-8/28/07
 9.8% files dated post-8/28/07

Within DIFP Guidelines: No

In five instances, Electric failed to disclose all pertinent benefits and coverage to insureds and/or claimants. The Company failed to advise that the limits of medical payments coverage were available despite the insured's and/or claimant's other health coverage. Electric also failed to conduct a complete investigation to determine the full extent of the Company's liability under the medical payment coverage.

Electric coordinated medical payments with other coverage and paid only copayments, co-insurance and deductible amounts, resulting in two underpayments.

<u>Claim Number</u>	<u>Claim Date</u>	<u>Underpayment</u>	<u>Interest</u>	<u>Total</u>
xxxxxxxx06055	05/06/2008	\$958.10	\$106.55	\$1,064.65
xxxxxxxx22118	01/21/2008	<u>417.78</u>	<u>75.51</u>	<u>493.29</u>
	Total	\$1,375.88	\$182.06	\$1,557.94

References: §375.1007 (1) & (4), RSMo, 20 CSR 100-1.010, 20 CSR 100-1.020(1), 20 CSR 500-2.100(2)(G)1.

Electric omitted the availability of medical payments coverage to the insureds and or claimants, resulting in three underpayments.

<u>Claim Number</u>	<u>Claim Date</u>	<u>Underpayment</u>	<u>Interest</u>	<u>Total</u>
xxxxxxxx08056	03/07/2007	\$4,271.00	\$1,125.79	\$5,396.79
xxxxxxxx12012	06/11/2008	2,308.78	360.00	2,668.78
xxxxxxxx02004	10/01/2007	<u>2,384.17</u>	<u>493.82</u>	<u>2,877.99</u>
	Total	\$8,963.95	\$1,979.61	\$10,943.56

References: §375.1007 (1) & (4), RSMo, 20 CSR 100-1.010, 20 CSR 100-1.020(1), 20 CSR 500-2.100(2)(G)1.

Underpayments for all medical payment coverage, with 9% interest per annum, were refunded to the insureds and or claimants prior to completion of the examination.

4. Private Passenger Automobile – UM / UIM

Field Size: 6
Type of Sample: Census
Number of Errors: 2
Error Ratio: 33%
Within DIFP Guidelines: No

In two instances, Electric failed to disclose that Uninsured Motorist coverage was available in addition to the Medical Payments claim the Company paid. The insured was eligible to collect the same amount for both coverages up to the limits specified in the policy. The omissions and offsetting of Uninsured Motorist coverage against Medical Payments coverage is not permitted.

<u>Claim Number</u>	<u>Claim Date</u>	<u>Underpayment</u>	<u>Interest</u>	<u>Total</u>
xxxxxxxx06007	10/06/2007	\$1,589.09	\$289.17	\$1,878.26
xxxxxxxx19021	11/11/2008	<u>80.00</u>	<u>7.75</u>	<u>87.75</u>
	Total	\$1,669.09	\$296.92	\$1,966.01

Underpayments, with interest of 9% per annum, were refunded to the insureds and or claimants prior to completion of the examination.

References: §375.1007(1), RSMo, 20 CSR 100-1.020(1), 20 CSR 500-2.100(2)(G)1, and *Kuda v. American Family*, 790 S.W. 2d 464, 467 (Mo.Banc. 1990).

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 liability.

1. Homeowners

The examiners discovered no issues or concerns.

2. Private Passenger Automobile

The examiners discovered no issues or concerns.

IV. 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 December 31, 2008. The registry contained a total of eight complaints. They reviewed all four that went through DIFP and four 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.

V. **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	63	97%
Received outside time-limit, incl. any extensions	2	3%
<u>No Response</u>	<u>0</u>	<u>0%</u>
Total	65	100%

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

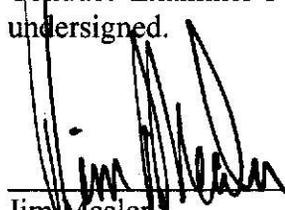
B. **Formal Request Time Study**

<u>Calendar Days</u>	<u>Number of Requests</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	22	100%
Received outside time-limit, incl. any extensions	0	0%
<u>No Response</u>	<u>0</u>	<u>0%</u>
Total	22	100%

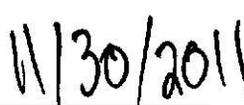
Reference: §375.205, RSMo and 20 CSR 100-8.040.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Electric Insurance Company (NAIC #21261), Examination Number 0903-14-TGT. This examination was conducted by Gary S. Bird and John Pfaender. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated June 17, 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.



Jim Mealer
Chief Market Conduct Examiner

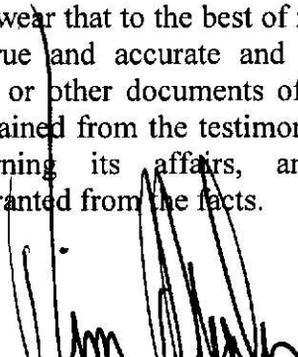


Date

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 1st day of December 2011.

Kimberly Landers
Notary

My commission expires: May 18, 2012

