



December 2, 2008

Carolyn H. Kerr
Department of Insurance
Insurance Market Regulation Division
301 West High Street, Room 530
PO Box 690
Jefferson City, MO 65102-0690

Re: **Missouri Market Conduct Examination #0801-03-TGT**
Gateway Insurance Company (NAIC #28339)

Dear Ms. Kerr:

Overall, I was very pleased with the findings outlined in the examination report. Gateway takes pride in the product and service we provide to our policyholders and claimants.

The findings indicate there was one instance where we failed to provide a sales tax affidavit to the insured as a result of a total loss. We acknowledge that this did occur on this claim file. We have addressed this issue with the adjuster that handled this specific loss. We have also updated our supervisor's review process on total loss files to ensure that this does not occur in the future.

Again, Ms. Kerr, I am pleased with the overall results and hope your staff found our staff responsive and professional during the examination.

Sincerely,

Daniel J. Boxell
President and CEO

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

**MARKET CONDUCT EXAMINATION REPORT
OF
GATEWAY INSURANCE COMPANY
NAIC # 28339**

1401 South Brentwood Blvd.

St. Louis, MO 63144

November 6, 2008

EXAMINATION NUMBER: 0801-03-TGT

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FOREWORD

This market conduct examination report of the Gateway Insurance Company is, overall, a report by exception. Examiners cite errors the Company made; however, failure to comment on specific files, products, or procedures does not constitute approval by the Missouri Department of Insurance, Financial Institutions and Professional Registration.

Examiners use the following in this report:

“The Company” and “Gateway” refer to Gateway Insurance Company;

“DIFP” and “Department” refer 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; and

“CSR” refers to the Code of State Regulation.

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 Gateway complied with Missouri statutes and DIFP regulations and to consider whether Company operations are consistent with the public interest. The primary period covered by this review is January 1, 2007, through December 31, 2007; however, examiners include all discovered errors in this report.

Although examiners report the errors discovered in individual files, this report focuses on general business practices of the Gateway Insurance Company. The DIFP has adopted the NAIC published error tolerance rate guidelines. Unless otherwise noted, examiners apply a 10 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.

This examination is primarily directed to the following company operations as related to private passenger automobile operations including:

Sales and Marketing;

Underwriting and Rating; and

Claims.

Examiners conducted this examination at DIFP's office located in St. Louis, Missouri.

EXECUTIVE SUMMARY

In one instance, the Company failed to provide a sales tax affidavit to the insured for a total automobile loss.

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.

A. Licensing of Producers

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 producers.

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

The examiners discovered no errors during this review.

B. Marketing Practices

Gateway markets its products through the independent agency system.

Missouri law requires producers to be truthful and provide adequate disclosure while selling insurance products.

The Company also provides information about its products through the Internet where the Company maintains a web site.

The examiners discovered no discrepancies when the examiners reviewed the site.

C. Company Overview and Background

According to information provided by the Company, the organization was originally chartered on August 28, 1946, as a mutual insurance company. The Company remained dormant until November 15, 1955, when principals of the Laclede Cab Company in St. Louis obtained control and reorganized the Company to provide insurance coverage for Laclede Cab Company. After a series of reorganizations, the Company adopted its current name, Gateway Insurance Company on August 1, 1991. The Company is currently owned by Hendricks Holding Company. The Company concentrates its writings in the specialty automobile market which is comprised of taxicabs,

limousines, black sedans, airport limousine services, and non-emergency medical transportation services. Gateway currently writes in 31 states.

II. UNDERWRITING AND RATING PRACTICES

In this section of the report, the examiners report their findings of the Company's underwriting and rating practices. These practices include, but are not limited to, the use of policy forms, adherence to underwriting guidelines, premiums charged, and procedures to cancel, nonrenew, or reject coverages. Because of the time and cost involved in reviewing each policy file, the examiners use scientific sampling. For this review, a sampling unit represents a policy file with one complete premium amount including the charges provided or restricted by endorsements, issued, or re-rated during the examination. The most appropriate statistic to measure the Company's compliance is the percent of files in error. Errors can include, but are not limited to, any miscalculation of the premium based on file information, improper acceptance or denial of an application, and failure to observe Missouri statutes or DIFP regulations.

A. Forms and Filings

The examiners review the Company's policy forms to determine compliance with filing, approval, and content requirements. This helps to assure contract language is not ambiguous and is adequate to protect those insured.

There were no discrepancies noted.

B. Underwriting and Rating

Commercial Automobile

Field Size:	18
Sample Size:	18
Type of Sample:	Census
Errors:	0
Error Ratio:	0%
Within department guidelines:	Yes

The examiners discovered no errors in this review.

C. Cancellations, Nonrenewals, and Rejections

The examiners reviewed policies the Company terminated before the scheduled expiration date and applications the Company rejected because the applicant failed to meet underwriting guidelines. Policies were selected from all policies canceled, nonrenewed, or rejected during the time frame of the examination for personal automobile.

Commercial Automobile

Field:	5
Sample Size:	5
Type of Sample:	Census
Errors:	0
Error Ratio:	0%
Within Department Guidelines:	Yes

The examiners discovered no errors in this review.

D. Legal Practices Not in the Best Interest of Consumers

The examiners also looked for products and practices that, although do not violate Missouri laws, are not in the best interest of consumers.

The examiners discovered no issues in the underwriting practice reviews.

III. CLAIMS PRACTICES

In this section, examiners review claim practices of the Company to determine efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and DIFP regulations. Due to the large number of claim files, examiners are unable to review each claim. As such, examiners conduct scientific sampling of claim files. A claim file, as a sampling unit, is an individual demand for payment or action under an insurance contract for benefits that may or may not be payable. The most appropriate statistic to measure compliance with the law is the percent of files in error. An error can include, but is not limited to, any unreasonable delay in the acknowledgment, investigation, payment, or denial of a claim. Errors also include the failure to calculate benefits correctly or to comply with Missouri laws regarding claim settlement practices.

Claim files were also reviewed to determine compliance with the unfair claims settlement practices act, other statutes and regulations, as well as general policy provisions. Missouri law requires that insurers and agents disclose to first-party claimants all pertinent benefits, coverages and other provisions of an insurance policy under which a claim is presented. The Company must give claim denials to the claimant in writing and retain a copy in the file.

The examiners reviewed commercial automobile physical damage claims and commercial automobile uninsured/under insured motorist claims.

A. Unfair Settlement Practices, General Handling & Timeliness

1. Commercial Automobile Physical Damage Claims

Field Size:	5
Sample Size:	5
Type of Sample:	Census
Number of Errors:	1
Error Rate:	20%
Within department guidelines:	No

In one instance, the Company failed to provide a sales tax affidavit to the insured as a result of a total loss.

Reference: §144.027, RSMo, and 20 CSR 300-200(3)(B)3.

Claim Number

xxx406

2. Commercial Automobile Uninsured Motorist and Underinsured Motorist

Field Size:	9
Sample Size:	9
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0
Within Department guidelines:	Yes

The examiners discovered no errors during this review.

D. Legal Practices Not in the Best Interest of Consumers

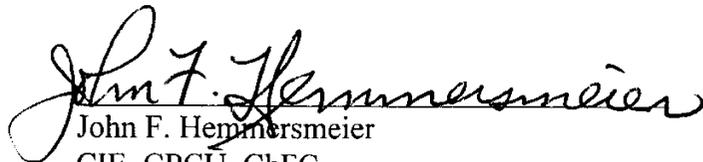
The examiners also looked for claims practices that, although do not violate Missouri laws, are not in the best interest of consumers.

The examiners discovered no issues in the claims practices reviews.

SUBMISSION

Examiners respectfully submit this Market Conduct examination report of the Gateway Insurance Company to the Director of Insurance, Financial Institutions and Professional Registration State of Missouri.

Gary Bird and John Pfaender participated in the examination and helped in the preparation of this report.


John F. Hemmersmeier
CIE, CPCU, ChFC
Examiner-In-Charge

SUPERVISION

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.



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

Date: 11-20-08

