DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

In re:	)	
	)	Examination No. 0806-12-TGT
Shelter General Insurance Co. (NAIC #23361)	)	

ORDER OF THE DIRECTOR

NOW, on this 26th day of ~~September~~ October, 2009, Director John M. Huff, after consideration and review of the market conduct examination report of Shelter General Insurance Co. (NAIC #23361), (hereafter referred to as "Shelter") report numbered 0806-12-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 Shelter 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 Shelter shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place Shelter 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 Shelter shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $5,000, 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 26th day of October, 2009.

John M. Huff
Director

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

TO: Shelter Insurance Companies
1817 W. Broadway
Columbia, MO 65218-0001

RE: Shelter General Insurance Co. (NAIC #23361)
Missouri Market Conduct Examination #0806-12-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 shelter General Insurance Company, (hereafter referred to as "Shelter"), 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, Shelter 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 Shelter and prepared report number 0806-12-TGT; and

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

1. In three instances, Shelter failed to send its insured a written denial letter specifying the specific policy reference, as required by §375.1007(7), RSMo, and 20 CSR 100-1.050.

2. In one instance, Shelter failed to provide its insured a letter of explanation as to why their claims remained open after 45 days, in violation of §375.1007(7), RSMo, and 20 CSR 100-1.050(1)(C).

3. In some instances, Shelter 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 practices of the Company, thereby violating §374.205.2(2), RSMo, and 20 CSR 300-2.200(2) (as amended, 20 CSR 100-8.040(2), eff. 7/30/08).

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

WHEREAS, Shelter respectfully disagrees with certain factual findings of the examiners and agrees 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, Shelter, 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, Shelter hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0806-12-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of $5,000.00.

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 Shelter to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Shelter 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 $5,000.00, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: Sept 3RD, 2009

John David Mott
President
Shelter Insurance Company

SHELTER INSURANCE COMPANIES
RANDA RAWLINS
SECRETARY AND GENERAL COUNSEL
Phone: 573–214-4229
Fax: 573-214-6316
rrawlins@shelterinsurance.com

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DEPT OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

September 3, 2009

Ms. Carolyn H. Kerr
Senior Counsel
Market Conduct Section
Department of Insurance
301 West High Street, Room 530
Jefferson City, MO 65102-0690

RE: Shelter General Insurance Co. (NAIC #23361)
Missouri Market Conduct Examination #0806-12-TGT

Dear Ms. Kerr:

Enclosed is the signed Stipulation of Settlement and a check from Shelter General Insurance company in the amount of $5,000 made payable to the Missouri State School Fund.

We submit the following comment on behalf of the Company for inclusion in the final public report:

While the Company respectfully disagrees with certain factual findings made by the examiners, the Company has agreed to a compromise of the disputes to resolve all examination issues.

Again thank you for your consideration and professionalism. It has been a pleasure to work with your staff on this project. Please let us know if you need anything additional from us.

Sincerely,

Randa

RANDA RAWLINS

RR/tw

SHELTER INSURANCE COMPANIES

RANDA RAWLINS
SECRETARY AND GENERAL COUNSEL
Phone: 573–214-4229
Fax: 573-214-6316
rrawlins@shelterinsurance.com

INSURANCE MARKETPLACE STANDARDS ASSOCIATION

Committed to honesty, integrity and ethics

June 30, 2009

Ms. Carolyn H. Kerr
Senior Counsel
Market Conduct Section
Division of Insurance Market Regulations
Dept. of Insurance, Financial Institutions
And Professional Registration
301 W. High Street, Rm. 530
P.O. Box 690
Jefferson City, MO 65102-0690

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JUL 01 2009
DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

RE: Missouri Market Conduct Examination #0806-12-TGT
Shelter General Insurance Company (NAIC #23361)

Dear Ms. Kerr:

We are in receipt of your letter of May 27, 2009 enclosing a copy of the examiner's market conduct report of Shelter General. We appreciate your agreement to provide an extension of time to respond to the report until June 30, 2009.

First, we appreciate the professionalism shown by the examiners during the examination. This was our first experience with a desk examination where we transferred information and files back and forth for review by the examiners, including a substantial amount of information in an electronic format. We appreciate the patience of the examiners while we learned the best way to produce the information in a format that was easy for them to review. All in all, it was a pleasure to work with them.

We have no responses to Section I. Underwriting and Rating Practices and Section III. Complaints.

Our response will be limited to those violations listed in Section II Claims Practices where we disagree with the examiner's findings. We also disagree with the executive summary to the extent that it specifies the number of violations found in the claims review.

Private Passenger Auto Comprehensive Paid Claims

Errors not included in ratio

2. Claim Numbers AT7968, AT8189, AT14722, AT16476, AT16720, AT18600, AT23256

The Company disagrees with the examiner's finding that the Company failed to reflect in the adjusters' notes that an OFAC search was completed, thus violating the Company's Claims Guidelines.

A review of 20 CSR 300-2.100, the regulation applicable during 2007 and which is cited in the examiner's report as a reference, requires that the claim files "shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of these events can be reconstructed." The Fast Track Claims OFAC Compliance Procedures are attached as Exhibit A. These guidelines require that a search be conducted during the handling of the claim. However the guidelines do not specify the manner of documentation.

For claim files AT8189, AT16476, AT18600 and AT23256, there was an entry in the adjuster notes in each file that an OFAC search had been completed prior to payment. See Exhibits B through E, which are pertinent portions of adjuster notes. The OFAC references have been highlighted in yellow. These entries comply with the requirements of the regulation and the Company's Claims Guidelines.

For claim files AT7968, AT14722 and AT16720, the Company agrees that there is no documentation of the OFAC search.

Private Passenger Auto Collision Paid Claims

Errors not included in ratio

1. Claim Numbers AT10643, AT7451, AT7900, AT9108, AT10488, AT11526, AT13456, AT14563, AT20731, AT21589, AT21751, AT23042, AT23221, AT26769, AT27519, AT42875, AT47678, AT54656, AT54664, AT59923, AT66962, AT74301, AT44423 (sic), AT75604, AT79890, AT80063, AT80549

The Company disagrees with the examiner's finding that the Company failed to reflect in the adjusters' notes that an OFAC search was completed, thus violating the Company's Claims Guidelines.

As noted in our response to the Criticisms issued on this issue, the files with Claim Numbers AT47678, AT66962, AT74301 and AT79890 were not handled by the Fast Track Unit of the Claims Department. Therefore, the Fast Track Claims OFAC Compliance Procedures did not apply to those claims and, thus, the Fast Track Claims Guidelines were not violated.

With respect to AT44423, no claim payment was made to the insured. Thus no OFAC search was necessary. See adjuster notes attached as Exhibit F.

A review of 20 CSR 300-2.100, the regulation applicable during 2007 and which is cited in the examiner's report as a reference, requires that the claim files "shall contain all notes and work

papers pertaining to the claim in such detail that pertinent events and the dates of these events can be reconstructed." The Fast Track Claims OFAC Compliance Procedures are attached as Exhibit A. These guidelines require that a search be conducted during the handling of the claim. However the guidelines do not specify the manner of documentation.

For claim files AT10643, AT7451, AT7900, AT10488, AT13456, AT14563, AT20731, AT21589, AT21751, AT23042, AT27519, AT42875, AT54656 and AT54664, there was an entry in the adjuster notes that an OFAC search had been completed prior to payment. See Exhibits G through T, which are pertinent portions of adjuster notes. The OFAC references have been highlighted in yellow. These entries comply with the requirements of the regulation and the Company's Claims Guidelines.

For claim files AT9108, AT11526, AT23221, AT26769, AT59923, AT75604, AT80063 and AT80549, the Company agrees that there is no documentation of the OFAC search.

3. Claim Number 24-1-C-2373139-2

The Company disagrees with the examiner's finding that the Company failed to send a written denial letter to the insured advising no medical coverage was available as required with the specific policy reference.

The Company's position is set forth clearly in its March 25, 2009 response to the Criticism, attached hereto as Exhibit U. A copy of the adjuster notes and pertinent correspondence from the claimant's sister are also attached as Exhibit V.

No claim for medical payments coverage was made by the insured. Therefore, no denial was required. In addition, even if a denial was required, no specific policy reference can be made when the insured had no coverage for medical payments.

5. Claim Number AT33337

The examiner's finding states that "the Company failed to provide a letter of explanation as to why the claim remained open after 45 days." However, the original criticism received by the Company related to the failure to send a denial.

> *"The examination determined the following Private Auto Passenger Collision Coverage paid claims did not ensure a written denial letter to the insured as required with specific reference to a policy provision, condition or exclusion.*
>
> *AT33337: The adjuster had denied the replacement of the motorcycle helmet that was damaged in the accident and denied insured medical payments for his injuries."*

The Company agrees that it should have sent a denial letter, specifying the policy provision or exclusion that supported its position not to pay for the helmet. However, the Company disagrees that a denial was required relating to the insured's injuries.

The examiner references Section 375.1007(7) RSMo. which defines one of the improper claims practices as "failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed and communicated to the insurer." In this case, the Company never received a "proof of loss statement." Thus the statute was not violated.

The examiner also references Regulation 20 CSR 100-1.050[1] which requires:

(A) Within fifteen (15) working days after the submission of all forms necessary to establish the nature and extent of any claim, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. No insurer shall deny any claim on the grounds of a specific policy provision, condition or exclusion unless reference to that provision, condition or exclusion is included in the denial. The denial must be given to the claimant in writing and the claim file of the insurer shall contain a copy of the denial.

Claim is defined in 20 CSR 100-1.010 as:

(B) Claim
1. A request or demand for payment of a loss which may be included within the terms of coverage of an insurance policy; or
2. A request or demand for any other payment under the policy, such as for the return of unearned premium or nonforfeiture benefits;

It is the Company's position that, based on the definition of "claim" in the regulation, it never received a "request or demand for payment of a loss." While the insured advised he had minor injuries in the accident, the file does not indicate that he made a request or demand for payment for his medical expenses. See adjuster notes attached as Exhibit W. Nor does the file contain any medical bills. Therefore, the 15-day period did not begin running, and there was no requirement under the regulation to send a denial letter to the insured.

Private Passenger Auto Total Loss Paid Claims

Errors not included in ratio

1. Claim Number 24-1-C-3346103

The Company disagrees with the examiner's finding that the Company failed to maintain a copy of the prior damage repair estimate in the file.

[1] We assume the examiner reference was meant to be 100-1.050 rather than 300-1.050.

The estimate for prior damage is located in the lower right hand corner of the Automobile Valuation Summary, a copy of which was in the claim file and which is attached hereto as Exhibit X, with pertinent highlights in yellow. A copy of this Automobile Valuation Summary would have been provided to the insured at the time of settlement.

Private Passenger Auto Medical Payment Paid Claims

Errors not included in ratio

1. Claim Numbers 97645, 104415, 108320, 117770, 120430, 121130, 121386, 121855, 121862, 121865, 1212891, 121915, 121929

The Company disagrees with the examiner's findings that the Company failed to properly show the disposition of the medical payments claim. The June 25, 2009 memorandum attached as Exhibit Y provides a clear explanation of the process used to set up medical payment claim files and the fact that a template which is in the file DOES NOT mean that a letter was forwarded to the claimant. The memorandum also provides a clear explanation of each of the 13 claims. The only additional proof that can be offered is a review of the computer system at Shelter, which will show the absence of the documents in the "Documents" folder. Obviously we are unable to "attach" that proof. However, Shelter is happy to provide that review, if necessary.

If you have any questions about our response, please do not hesitate to contact me.

Sincerely,

RANDA RAWLINS

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

FINAL MARKET CONDUCT EXAMINATION REPORT
Of the Property and Casualty of

Shelter General Insurance Company.
NAIC # 23361

MISSOURI EXAMINATION # 0806-12-TGT

NAIC EXAM TRACKING SYSTEM # MO268-M81

August 28, 2009

Home Office
1817 West Broadway
Columbia, Missouri 65218-0001

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FOREWORD

This is a targeted market conduct examination report of the Shelter General Insurance Company, (NAIC Code # 23361). This examination was conducted at the office of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

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" refers to Shelter General 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;
- "RSMo" refers to the Revised Statutes of Missouri. All citations are to RSMo 2000, unless otherwise specified.

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, 2007, 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: Company Complaints, Terminations, and Personal Auto Paid and Non-Paid Claims.

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 error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). 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.

Shelter General Insurance Company is a wholly subsidiary of Shelter Mutual Insurance Company and is headquartered in Columbia, Missouri. The Company was originally created as Countryside Casualty Company, which was granted a charter in Missouri on November 12, 1957. The company initially focused on Missouri standard automobile risks and later expanded into other lines and other states.
The Company operates through agents who are employees of Shelter Mutual or who have independently contracted with the Company to be exclusive Shelter agents.

On July 1, 1981 the name of the Company was changed to Shelter General Insurance Company, in conjunction with the change of the name of the parent company to Shelter Mutual Insurance Company.

It continues to serve as a writer of standard auto insurance, as well as commercial auto, dwelling fire and commercial fire in Missouri. The Company is licensed to do business in Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nebraska, Oklahoma and Tennessee.

The Company is licensed by the DIFP under Chapter 376, and 379 RSMo, to write property and casualty insurance as set forth in its Certificate of Authority.

EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of Shelter General Insurance Company. The examiners found the following principal areas of concern:

- The examiners found that the Company failed to properly maintain and document its claim files in such a way that the Company's claims practices could be readily ascertained during the market conduct examination;

- The examiners found that in three instances the Company failed to send a written denial letter to its insured; and

- The examiners found that in one instance the Company failed to provide its insureds a letter of explanation as to why their claims remained open for more than 45 days.

Examiners requested that the Company make refunds concerning underwriting premium overcharges and claim underpayments found for amounts greater than $5.00 during the examination if any were found.

Various non-compliant practices were identified, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the Missouri insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

EXAMINATION FINDINGS

I. 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 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.

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 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 those insured.

The examiners discovered no issues or concerns.

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.

Personal Auto Underwriting

Field Size:	10,535
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0%

The examiners discovered no general business practice issues in this review.

C. Private Passenger Terminations

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

Field Size:	106
Sample Size:	106
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0%

The examiners discovered no general business practice issues in this review.

D. 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.

The examiners discovered no general business practice issues in this review.

II. 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, 2007, through December31, 2007.

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 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; and
- 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 thirty 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; and
- Payment or denial of a claim must be made within fifteen 15 working days after investigation of the claim is complete.

The examiners discovered no issues or concerns.

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 examiners discovered no issues or concerns.

Private Passenger Auto Comprehensive Paid Claims

Field Size:	379
Sample Size:	106
Errors:	0%
Error Ratio:	0%

The examiners discovered no issues or concerns relating to the Company's general business practices. However, there were errors found in some of the files reviewed that violated other insurance laws and which are not included in the error ratio.

Errors not included in ratio

1. The Company failed to send out a written denial letter to the insured as required with the specific policy reference.

Claim Number: 24-1-C-27214410-10

Reference: § 375.1007(7), RSMo, and 20 CSR 100-1.050

2. The Company failed to reflect in the adjusters notes that an OFAC search was completed, thus violating the Company's Claim Guidelines.

Claim Numbers: AT7968 AT14722
AT16720 AT23256

Reference: 20 CSR 300-2.100 as (amended 20 CSR 100-8.040 (3) (B) and (F)).

Private Passenger Auto Collision Paid Claims

Field Size:	267
Sample Size:	106
Errors:	0
Error Ratio:	0 %

The examiners discovered no issues or concerns relating to the Company's general business practices. However, there were errors found in some of the files reviewed that violated other insurance laws and which are not included in the error ratio.

Errors not included in ratio

1. The Company failed to reflect in the adjusters notes that an OFAC search was completed, thus violating the Company's Claim Guidelines.

Claim Numbers: AT9108 AT23221 AT26769
AT59923 AT75604 AT80063
AT80549

Reference: 20 CSR 300-2.100 as (amended 20 CSR 100-8.040 (3) (B) and (F)).

2. The Company failed to maintain a copy of the repair estimate in file.

Claim Number: AT 47678

Reference: 20 CSR 300-2.100 as (amended 20 CSR 100-8.040 (3) (B) (F)).

3. The Company failed to send out a written denial letter to the insured advising no medical coverage available as required.

Claim Number: 24-1-C-2373139-2

Reference: § 375.1007(7), RSMo. , and 20 CSR 100-1.050

4. The Company failed to provide a letter of explanation as to why the claim remained opened after 45 days.

Claim Number: 24-1-C-4958822-2

Reference: §375.1007(7), RSMo, and 20 CSR 100-1.050

5. The Company failed to send a written denial letter to the insured with the specific policy reference denying the claim for a person property loss.

Claim Number: AT33337

Reference: §375.1007(7), RSMo, and 20 CSR 100-1.050

Private Passenger Auto Total Loss Paid Claims

Field Size:	56
Sample Size:	56
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns relating to the Company's general business practices. However, there were errors found in some of the files reviewed that violated other insurance laws and which are not included in the error ratio.

Errors not included in ratio

1. The Company failed to maintain a copy of the prior damage repair estimate in the file.

Claim Number: 241C33464103

Reference: 20 CSR 300-2.100 & 20 CSR 300-2.200, (as amended 20 CSR 100-8.040 (3) (B)).

Private Passenger Auto Medical Payment Paid Claims

Field Size:	39
Sample Size:	39
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns relating to the Company's general business practices. However, there were errors found in some of the files reviewed that violated other insurance laws and which are not included in the error ratio.

Errors not included in ratio

1. The Company failed to document the following 13 files to properly clearly show the disposition of the claim. The settlement letter in the file states that the insured has reached their maximum benefits available for these expenses under Medical portion of this policy has been paid. Therefore these charges are not payable and will be returned to the provider. However, according to the insured's policy, the Medical Payment limits have not been exhausted.

Claim Numbers:	ATLG97645	ATLG104415	ATLG108320
	ATLG117770	ATGL120430	ATGL121130
	ATGL121386	ATGL121855	ATGL121862
	ATGL121865	ATGL121891	ATGL121915
	ATGL121929		

Reference: 20 CSR 300-2.200 (3) (B), (as amended 20 CSR 100-8.040 (3) (B)).

Private Passenger Auto Subrogation Paid Claims

Field Size:	26
Sample Size:	26
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns.

Private Passenger Auto Uninsured Motorist Bodily Injury Paid Claims

Field Size:	11
Sample Size:	11
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns.

Private Passenger Auto Non-Paid Claims

Field Size:	107
Sample Size:	107
Errors:	0
Error Ratio:	0%

The examiners discovered no issues or concerns relating to the Company's general business practices. However, there were errors found in some of the files reviewed that violated other insurance laws and which are not included in the error ratio.

Errors not included in ratio

1. The Company failed to send out a written denial letter to the insured as required with the specific policy reference.

Claim Number: 241C41194686

Reference: §375.1007(7), RSMo, and 20 CSR 100-1.050

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 claims.

The examiners discovered no general business practice issues in this review.

III. COMPLAINTS

This section of the report is designed to provide a review of the Company's complaint handling practices. Examiners reviewed how the Company handled complaints to ensure it was performing according to its own guidelines and Missouri statutes and regulations.

Section 375.936(3), RSMo, requires companies to maintain a registry of all written complaints received for the last three years. The registry must include all Missouri complaints, including those sent to the DIFP and those sent directly to the company.

The examiners verified the company's complaint registry, dated January 1, 2005, through December 31, 2007. The registry contained a total of 39 complaints. They reviewed all 18 that went through DIFP and all 21 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).

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

Calendar Days	Number of Criticisms	Percentage
Received w/in time-limit, incl. any extensions	54	100%
Received outside time-limit, incl. any extensions	0	0 %
No Response	0	0 %
Total	54	100%

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200, as amended 20 CSR 100-8.040.

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
Received w/in time-limit, incl. any extensions	15	100%
Received outside time-limit, incl. any extensions	0	0%
No Response	0	0%
Total	15	100%

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200, as amended 20 CSR 100-8.040.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Shelter General Insurance Company (NAIC #23361), Examination Number 0806-12-TGT. This examination was conducted Gary T. Meyer, Gerald Michitsch, and Darren Jordan. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated May 21, 2009. 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.

Michael W. Woolbright 8/27/09

Michael W. Woolbright Date
Chief Market Conduct Examiner