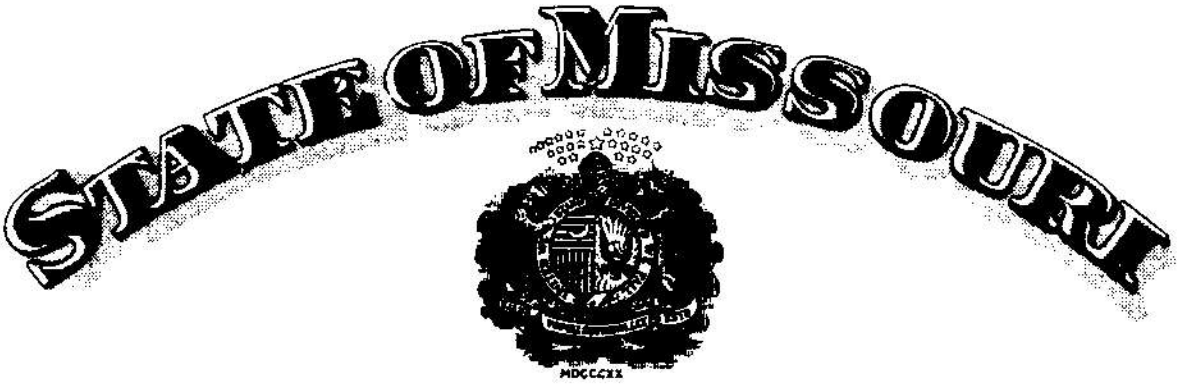

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

In re:	)	
	)	Examination No. 0903-13-TGT
Universal Casualty Company (NAIC #42862)	)	

ORDER OF THE DIRECTOR

NOW, on this 10TH day of FEBRUARY, 2011, Director John M. Huff, after consideration and review of the market conduct examination report of Universal Casualty Company (NAIC #42862), (hereafter referred to as "the Company") report numbered 0903-13-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 corrective actions 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 $256,000, 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 10TH day of FEBRUARY, 2011.

John M. Huff
Director

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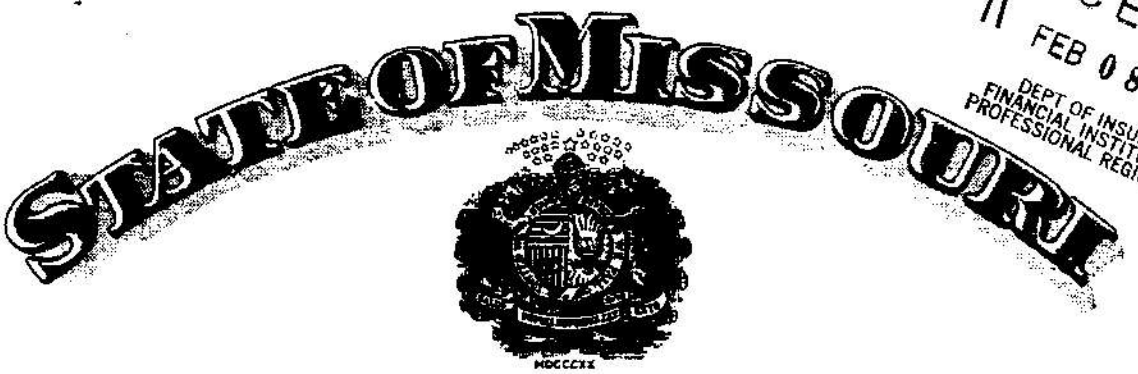
DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

TO: Universal Casualty Company
150 Northwest Point Boulevard
Elk Grove Village, IL 60007

RE: Universal Casualty Co. (NAIC #42862)
Missouri Market Conduct Examination #0903-13-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 Universal Casualty Company, (hereafter referred to as "UCC"), 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, UCC 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 UCC covering the period January 1, 2008, through June 30, 2009, and prepared report number 0903-13-TGT; and

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

1. In some instances, UCC failed to document its policy files with a signed Named Driver Exclusion form, in violation of §379.116, RSMo, 20 CSR 500-2.100(4)(A) and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

2. In some instances, UCC failed to provide a letter to the insureds to notify them within 45 days and every 45 days thereafter as to the reasons it required additional time to complete claims investigations, in violation of §375.1007(4), RSMo, and 20 CSR 100-1.050(1)(C) and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

3. In some instances, UCC failed to acknowledge and respond to all pertinent communications from claimants within 10 working days, as required by §375.1007(2), RSMo, and 20 CSR 100-1.030(2)(C).

4. In some instances, UCC failed to adopt and implement reasonable standards for the prompt investigation of claims and to effectuate prompt, fair and equitable settlements of claims, by failing to attempt to settle when liability became clear, failing to investigate the insureds' liability exposures, and delaying investigations, thereby causing claim payment delays and underpayments, in violation of §375.1007(2), (3), and (4), RSMo.

5. In some instances, UCC failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims, in that UCC did not have a claims manual pertaining to Missouri claims processing in place so that its claims personnel would have information relating to what the standards were for processing claims and how to implement those standards, in violation of §375.1007(3), RSMo.

6. In some instances, UCC failed to provide all claim forms and reasonable assistance to the insured within 10 working days after the initial notification of the claims, in violation of §375.1007(2), RSMo and 20 CSR 100-1.030.

7. In some instances, UCC failed to complete the investigation of claims within 30 calendar days after notification of the claims when it could reasonably have done so, in violation of §375.1007(4), RSMo and 20 CSR 100-1.050(4).

8. In some instances, UCC unreasonably delayed the investigation and payment of claims by requiring a formal Proof of Loss form and subsequent verification be filed, thus failing to attempt in good faith to effectuate a fair and equitable settlement of the claim once liability had become reasonably clear and violating §375.1007(4) and (11), RSMo.

9. In some instances, UCC could not prove that it attempted in good faith to effectuate prompt, fair and equitable settlement or that it settled the claims for the proper amount, as required by §375.1007(3), (4) and (8), and 408.020, RSMo, and 20 CSR 100-1.050(2)(E) and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

10. In some instances, UCC failed to document its files with a copy of the written denial letter with specific references to the applicable policy provision, condition or exclusion, in violation of §375.1007(12), RSMo, and 20 CSR 100-1.050(1)(A), and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

11. In some instances, UCC misrepresented relevant facts or policy provisions to its claimants relating to coverages at issue, resulting in underpayments and violating §§375.1007(1) and 408.020, RSMo, and 20 CSR 100-1.020(1)(A) and (B), as well as its own policy provisions.

12. In some instances, UCC failed to conduct reasonable investigations before denying claims, in violation of §§375.1007(6) and 408.020, RSMo.

13. In some instances, UCC failed to include a copy of a Missouri sales tax affidavit in its claim files concerning the insureds total loss vehicles, as required by §144.027, RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

14. In some instances, UCC failed to document its claim files with a copy of the salvage title, as required by §301.227, RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08).

15. In some instances, UCC failed to contact and provide reasonable assistance to first party claimants within 10 working days after receipt of the claim, as required by §375.1007(2) and (3), RSMo, and 20 CSR 100-1.030(2)(C).

16. In some instances, UCC required the claimants to travel an unreasonable distance to obtain a repair estimate, in violation of §375.1007(4), RSMo, and 20 CSR 100-1.050(2)(B).

17. In some instances, UCC 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 rating and underwriting, and claims handling and payment practices of the Company, thereby violating 20 CSR 100-1.050 and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

18. In some instances, UCC failed to maintain a complete record of all complaints received by the Company for a period of at least three years. The failure to properly maintain a complaint log violates §375.936(3), RSMo, and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040(3)(D), eff. 7/30/08).

19. In some instances, UCC failed to timely and completely respond to the examiners' criticisms, thereby violating §374.205, RSMo, and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

WHEREAS, UCC hereby reports that it has taken remedial actions 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. UCC reports that it has taken remedial actions bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain these corrective actions at all times to assure that the errors noted in the above-referenced market conduct examination report do not recur;

2. UCC 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. UCC agrees to develop a survey to be sent to the following claimants that were eligible for receiving the sales tax affidavit to ascertain whether or not they actually received the sales tax affidavit, as required by §144.027.1, RSMo:

a. Private Passenger Auto Physical Damage;

b. Private Passenger Auto Bodily Injury;

c. Private Passenger Auto Total Loss; and

d. Commercial Auto Physical Damage claimants

This survey must be filed for approval with the Director prior to being sent to the claimants within 90 days after the date a final Order is entered closing this examination.

WHEREAS, UCC 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, UCC, 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, UCC hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0903-13-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of $256,000.

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 UCC to transact the business of insurance in the State of Missouri or the imposition of other sanctions, UCC 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 $256,000, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: Feb 9, 2011

President
Universal Casualty Company

KINGSWAY AMERICA INC.

July 13, 2010

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DEPT OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

Missouri Department of Insurance
Division of Insurance Market Regulation
301 West High Street, Room 530
Jefferson City, MO 65102-0690

Attn: Carolyn H. Kerr
Senior Counsel, Market Conduct Section

Re: Missouri Market Conduct Examination #0903-13-TGT
Universal Casualty Company (NAIC # 42862)

Dear Ms. Kerr:

Pursuant to the Department's letter dated June 11, 2010, we are respectfully submitting our response to the examiner's report of the Missouri Market Conduct Examination #0903-13-TGT for Universal Casualty Company (UCC).

We would like to point out that the exam period was prior to the UCC transformation project. In late July 2009, the UCC claim department began a dramatic transformation of its leadership, structure and personnel with the goal of becoming a consistently fair, focused and compliant claims handling unit.

Some of the highlighted changes implemented since that time include:

- Installed experienced leadership from other subsidiaries, who have a history of compliance and strong service culture.
- Re-organized the claims department into specific handling units including a fast track claims unit.
- Re-deployed staff to bring down adjuster caseloads to manageable targets.
- Improved operating efficiency through updating processes and better utilization of existing technology.
- Trained staff on Missouri statutes and regulations and updated procedures to ensure compliance.
- Developed and distributed a Missouri Claims Service Manual based on best practices.
- Re-instituted a vigorous quality assurance review process on adjuster work product.
- Kingsway America created a Compliance Shared Services Unit that tracks and monitors trends in consumer complaints.

UCC's Management Team has reviewed the criticisms identified by the Missouri examiners. We have addressed the criticisms in the write up below as they were cited in the Report.

I. UNDERWRITING AND RATING PRACTICES

The only two criticisms out of 100 files reviewed were in **Section B. Private Passenger Automobile Underwriting and Rating.**

The underwriting division has instituted best practices to check each application for proper

handling of Named Driver Exclusions.

II. CLAIMS PRACTICES
Personal Lines and Commercial Lines
Sections A, B, C, D, E, F, G, H, I, J, K, L, and M

Our response is included on the two enclosed compact discs. The first CD includes two Excel workbooks (*2010 UCC Missouri Market Conduct Response*) listing all the criticisms by coverage line/claims paid or claims without pay. The separate worksheets will show if the criticism is accepted or rejected. If the criticism is accepted there is a Word document (*Criticism Remediation Report*) on the CD that lists specific remedial action in the same order as in the Report. The CD also includes the UCC Claims Manual (*MO Claims Service Manual 2009_rev2 02 10*) that was provided to the Department during the Exam and is referenced in the Criticism Remediation Report Word document. The Claims Manual was reviewed with the Department and the Department's feedback was incorporated into the document.

If the Company has disagreed with a criticism, the second CD contains copies of the original disagreement.

III. COMPLAINTS
UCC began maintaining a non-Department consumer complaints log in August, 2009. This addresses the criticism relating to not maintaining a register or log of complaints sent directly to UCC.

Should you have any questions regarding our response, please feel free to contact us. We are available to discuss at our offices or the Department's.

Respectfully,

Scott D. Wellney
President and CEO
Universal Casualty Company

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

FINAL MARKET CONDUCT EXAMINATION REPORT

Of the Property and Casualty Business of

Universal Casualty Company
NAIC # 42862

MISSOURI EXAMINATION # 0903-13-TGT

NAIC EXAM TRACKING SYSTEM # MO268-M90

February 9, 2011

Universal Casualty Company
150 Northwest Point Boulevard, Suite 200
Elk Grove Village, IL 60007

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FOREWORD

This is a targeted market conduct examination report of the Universal Casualty Company, (NAIC #42862). This examination was conducted at the offices of the Company, located at 150 Northwest Point Boulevard, Suite 200, Elk Grove Village, Illinois 60007 and at the offices 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 or UCC" refers to Universal Casualty 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, 2008, through June 30, 2009, unless otherwise noted. However, errors outside of this time period discovered during the course of the examination, may also be included in the report.

The examination included a review of the following areas of the Company's operations for the lines of business reviewed: underwriting and rating practices, claims handling practices, complaint handling practices and policy cancellation, non-renewal and declination practices.

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%). The benchmark error rates were not utilized, however, for reviews not applying to 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.

The Company was formed as a Universal Mutual Casualty Company on January 12, 1949 under the laws of Illinois.

The Company ceased writing business in June of 1956 and remained dormant through November of 1964. In December of 1964, the Company resumed direct writing and at that time, assumed reinsurance from Prudence Mutual Casualty Company.

On December 31, 1983, the corporate structure was changed from a "Mutual" company to a "Stock" company with the name being changed to its present title. All common stock was acquired then by UCC Corporation.

On January 13, 1998, UCC was acquired by Kingsway Financial Services, a Canadian holding company, whose primary business is nonstandard automobile insurance.

In 2007, UCC was licensed to market its products in forty (40) states and was approved for surplus lines operations in six (6) states. The Company is licensed in Missouri to transact business of Liability, Miscellaneous and Property.

The Company is licensed by the DIFP under Chapter 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 the Universal Casualty Company. The examiners found the following principal areas of concern:

The examiners discovered errors when conducting the Private Passenger Auto Underwriting and Rating practices reviews.

- The examiners found two instances the Company failed to document the underwriting files with a signed, Named Driver Exclusion form.

The examiners discovered the following exceptions regarding the Private Passenger Auto Physical Damage Claims Paid Practices reviews:

- The examiners found two instances that the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter.
- In one instance, the Company failed to respond to all pertinent communications from claimants which suggested that a response was expected within 10 working days.
- The examiners found 100 instances that the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims.
- The examiners found five instances that the Company failed to provide to the examiners paper file documents within 10 calendar days of the request.
- The examiners found two instances that the Company failed to provide all claim forms, instructions, and reasonable assistance to first party claimants within 10 working days.
- The examiners found two instances that the Company failed to complete the investigation within 30 calendar days when it could have reasonably been done.
- In one instance, the Company unreasonably delayed the claim investigation and payments by requiring duplicative information and verification that would appear on a formal proof of loss.
- The examiners found five instances that the Company failed to attempt in good faith to effectuate fair and equitable claims settlements in which liability was reasonably clear.
- The examiners found 17 instances that the Company failed to document its files to clearly show the inception, handling and disposition of claims received.
- The examiners found 19 instances that the Company failed to document the claim files with Missouri sales tax affidavits.
- The examiners found three instances that the Company failed to document the claim files with a written letter of denial to first party claimants with a specific reference to a policy provision, condition or exclusion.

- The examiners found two instances that the Company failed to document files with a salvage title and failed to date stamp all claim file material received.
- The examiners found five instances that the Company misrepresented relevant facts or policy conditions to claimants and insureds relating to coverages at issue, creating claim underpayments.
- In one instance, the Company failed to pay an insured's claim without conducting a reasonable investigation.
- In one instance, the Company required an insured to perform unreasonable travel to secure a repair estimate.

The examiners discovered the following exceptions regarding the Private Passenger Auto Bodily Injury Claims Paid Practices reviews:

- In one instance, the Company failed to provide all claim forms and reasonable assistance to first party claimants within 10 working days.
- In one instance, the Company failed to respond to all pertinent communications from claimants which suggested a response was expected within 10 working days.
- In one instance, the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and 45 days thereafter.
- The examiners found two instances that the Company failed to provide to the examiners paper file documents within 10 calendar days of the request.
- The examiners found 20 instances that the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims.
- In one instance, the Company failed to date stamp all claim file material received.
- The examiners found three instances that the Company failed to document the claim files with Missouri sales tax affidavits.
- In one instance, the Company failed to document the claim files with written letter of denial to first party claimants with a specific reference to a policy provision, condition or exclusion.
- The examiners found four instances that the Company failed to document the files clearly showing the inception, handling and disposition of the claim.
- The examiners found two instances that the Company misrepresented relevant facts or policy conditions to claimants and insureds relating to coverages at issue.
- In one instance, the Company failed to attempt in good faith to effectuate fair and equitable claim settlements.

The examiners discovered the following exceptions regarding the Private Passenger Auto Uninsured/Underinsured Motorist Claims Paid Practices reviews:

- The examiners found four instances that the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims.
- In one instance, the Company failed to date stamp all claim file material received.

The examiners discovered the following exceptions regarding the Private Passenger Auto Total Loss Claims Paid Practices reviews:

- The examiners found 119 instances that the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims.
- The examiners found 11 instances that the Company failed to provide all claim forms, instructions, and reasonable assistance to first party claimants within 10 working days.
- The examiners found five instances that the Company unreasonably delayed the claim investigation and payments by requiring duplicative information and verification that would appear on a formal proof of loss.
- The examiners found two instances that the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter.
- The examiners found 27 instances that the Company failed to document the claim files with Missouri sales tax affidavits.
- The examiners found two instances that the Company failed to date stamp all claim file material received.
- The examiners found nine instances that the Company misrepresented relevant facts or policy conditions to claimants and insureds relating to coverages at issue.
- In one instance, the Company failed to disclose all pertinent benefits and coverages at issue to first party claimants.
- The examiners found four instances that the Company failed to attempt in good faith to effectuate fair and equitable claims settlements in which liability was reasonably clear creating claim underpayments.
- The examiners found two instances that the Company failed to document the files clearly showing the inception, handling and disposition of the claim.

The examiners discovered the following exceptions regarding the Commercial Auto Physical Damage Claims Paid Practices reviews:

- The examiners found 12 instances that the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims.

- In one instance, the Company failed to respond to all pertinent communications from claimants which suggested that a response was expected within 10 working days.
- In one instance, the Company failed to provide all claim forms, instructions, and reasonable assistance to first party claimants within 10 working days.
- In one instance, the Company failed to complete the investigation within 30 calendar days when it could have reasonably been done.
- In one instance, the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter.
- The examiners found two instances that the Company failed to provide to the examiners paper file documents within 10 calendar days of the request.
- The examiners found two instances that the Company failed to document the claim files with Missouri sales tax affidavits.
- In one instance, the Company failed to protect lienholders on the claim payment instrument.

The examiners discovered the following exceptions regarding the Commercial Auto Uninsured/Underinsured Motorist and Subrogation Claims Paid Practices reviews:

- The examiners found two instances that the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims.

The examiners discovered the following exceptions regarding the Private Passenger Auto Physical Damage Claims Closed Without Payment Practices reviews:

- The examiners found 100 instances that the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims.
- The examiners found six instances that the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter.
- In one instance, the Company failed to provide paper file documents within 10 calendar days of the request.
- The examiners found two instances that the Company failed to respond to all pertinent communications from claimants which suggested that a response was expected within 10 working days.
- In one instance, the Company failed to complete the investigation within 30 calendar days when it could have reasonably been done.
- The examiners found three instances that the Company failed to attempt in good faith to effectuate fair and equitable claims settlements in which liability was reasonably clear.
- The examiners found seven instances that the Company failed to document the claim files with written letter of denial to first party claimants with a specific reference to a policy provision, condition or exclusion.

- The examiners found three instances that the Company misrepresented relevant facts or policy conditions to claimants and insureds relating to coverages at issue
- The examiners found 20 instances that the Company failed to document the files clearly showing the inception, handling and disposition of the claim.
- The examiners found two instances that the Company required an insured to perform unreasonable travel to secure a repair estimate.
- The examiners found two instances that the Company failed to disclose all pertinent benefits and coverages at issue to first party claimants.
- The examiners found two instances that the Company failed to document the claim files with Missouri sales tax affidavits.
- In one instance, the Company failed to date stamp all claim file material received.
- In one instance, the Company failed to document files with a salvage title.
- The examiners found in some that the Company's conduct was found not to be in the best interest of Missouri consumers, in that it denied a claim as a result of a policy exclusion denying coverage for theft of a vehicle where no signs of forced entry or damage resulting from the theft occurred, leaving an innocent spouse and lienholder without coverage.

The examiners discovered the following exceptions regarding the Private Passenger Auto Medical Payments Claims Closed Without Payment Practices reviews:

- The examiners found twoe instances that the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims.
- In one instance, the Company refused to pay claims without conducting a reasonable investigation.
- In one instance, the Company misrepresented relevant facts or policy conditions to claimants and insureds relating to coverages at issue.
- In one instance, the Company failed to document the files clearly showing the inception, handling and disposition of the claim.
- In one instance, the Company failed to document the claim files with written letter of denial to first party claimants with a specific reference to a policy provision, condition or exclusion.

The examiners discovered the following exceptions regarding the Private Passenger Auto Bodily Injury Claims Closed Without Payment Practices reviews:

- The examiners found 14 instances that the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims.
- In one instance, the Company failed to respond to all pertinent communications from claimants which suggested that a response was expected within 10 working days.
- The examiners found four instances that the Company failed to provide to the examiners paper file documents within 10 calendar days of the request.

- In one instance, the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter.
- The examiners found three instances that the Company failed to document the files clearly showing the inception, handling and disposition of the claim.
- In one instance, the Company failed to date stamp all claim file material received.
- In one instance, the Company failed to document the claim files with Missouri sales tax affidavits.
- In one instance, the Company failed to document the claim files with written letter of denial to first party claimants with a specific reference to a policy provision, condition or exclusion.

The examiners discovered the following exceptions regarding the Private Passenger Auto Uninsured/Underinsured Claims Closed Without Payment Practices reviews:

- The examiners found seven instances that the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims.
- In one instance, the Company failed to attempt in good faith to effectuate fair and equitable claims settlements in which liability was reasonably clear creating a claim underpayment.

The examiners discovered the following exceptions regarding the Commercial Auto Physical Damage Claims Closed Without Payment Practices reviews:

- The examiners found four instances that the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims.
- In one instance, the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter.
- In one instance, the Company failed to document the files clearly showing the inception, handling and disposition of the claim.

The examiners discovered the following exceptions regarding the Complaints Sent Directly to the Company Practices reviews:

- The examiners found that the Company failed to maintain a complaint register or log for those complaints the Company received in written form that primarily expressed a grievance.

The examiners discovered the following exceptions regarding the Criticism Time Study reviews:

- The examiners found that the Company failed to respond to 40 criticisms within the time requirement.

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 any other jurisdictions should be addressed.

The examiners tracked and were mindful of the results, Company responses and public disciplinary action(s) of prior examinations concerning the Universal Casualty Company. The following represents a summary of the results from three previous Market Conduct Examinations of the Company that took place within the last three years.

A. Prior Market Conduct Examination Report Findings From Illinois, Indiana and Arizona

Three previous market conduct reports subsequent stipulation and consent orders and or settlement agreements from Arizona ($15,000 civil penalty), Illinois (civil forfeiture of $50,000) and Indiana (administrative fine $200,000), were reviewed by the examiners. The examiners kept in mind the respective violations found as they applied to Missouri law.

The state of Arizona cited the Company for failing to file and receive approval from the Arizona department on a non-exempt personal automobile form and for failing to provide a minimum seven day grace period after the premium due date on personal automobile policies non-renewed for nonpayment of premium.

The Company reached agreement with the state of Illinois on 12 orders ranging from instituting and maintaining procedures, whereby all first party automobile insureds receive a 40 day delay letter, all automobile total loss settlements receive a letter within seven days of determination of a total loss, and third party claimants receive a 60 day letter. Other issues included the prompt payment and investigation of claims and the proper use of the replacement tax.

The Company signed off on 14 agreements with the state of Indiana. Those agreements pertained to resolving all pending and closed consumer complaints received by the Indiana Department of Insurance from January 1, 2005, and the date of the agreement. It agreed to cease writing new personal lines renewal business by January 1, 2009, and cease writing personal lines renewal business and commercial insurance on October 1, 2009, as well as to transfer all claims handling on its personal lines business to American Service Insurance Company, an Indiana licensed insurer, and to submit a compliance plan for approval within 60 days the agreement by the Commissioner.

The agreements were based on the findings found in the October 1, 2008, Indiana report in which problems were discovered involving Company deficiencies in its procedures and practices in the areas of complaints and claims handling. Those issues ranged from the Company failing to maintain a complaint register, not returning insured and claimant phone calls promptly, delayed claim payments, having claimants visit the Company's preferred auto repair shops that were at an inconvenient distance, and allowing the Company claims personnel to set reserves for up to 12 months, which could have an adverse effect on the Company's financial reporting.

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, RSMo.) 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 randomly selected the files 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. Private Passenger Automobile 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:

Underwriting

Field Size:	13,717
Sample Size:	100
Type of Sample:	Random
Number of Errors:	2
Error Ratio:	2.0%

1. The examiners found that the Company failed to document the following two policy files with a signed Named Driver Exclusion form.

   Policy Number

   551500006213
   551500000748

Reference: § 379.116, RSMo, 20 CSR 500-2.100(4) (A) and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08)

C. Commercial Automobile 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:

Underwriting

Field Size:	44
Sample Size:	44
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

No exceptions in handling were noted.

D. Private Passenger Automobile Cancellations, Non-Renewals, Rescissions, and Declinations

The examiners reviewed policies that the Company terminated at or before the scheduled expiration date of the policies and policies that were rescinded by the Company within 60 days after the effective date of the policy.

The following are the results of the reviews:

1. Cancellations Within 60 Days

Field Size:	4,111
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0.0%

No exceptions in handling were noted.

2. Cancellations After 60 Days

Field Size:	1,878
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0.0%

No exceptions in handling were noted.

3. Non-renewals

Field Size:	6
Sample Size:	6
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

No exceptions in handling were noted.

E. Commercial Automobile 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 within 60 days after the effective date of the policy.

The following are the results of the reviews:

1. Cancellations Within 60 Days

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

According to the Company, there were no policies in this population to sample. The examiners discovered no evidence to the contrary.

2. Cancellations After 60 Days

Field Size:	11
Sample Size:	11
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

No exceptions in handling were noted.

3. Non-renewals

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%

According to the Company, there were no policies in this population to sample. The examiners discovered no evidence to the contrary.

F. 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 issues or concerns.

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, 2008, through June 30, 2009.

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 RSMo) and compared with the NAIC benchmark error rate of seven percent (7%). Error rates in excess of the NAIC benchmark error rates 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.

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 the investigation of the claim is complete.

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.

A. Private Passenger Auto Physical Damage Claims Paid

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Physical Damage claims paid and closed during the examination period.

Field Size:	591
Sample Size:	100
Type of Sample:	Random
Number of Errors:	29
Error Ratio:	29.0%
Within DIFP Guidelines:	No

The examiners noted the following exception during their review:

1. The examiners found that the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter regarding the following two claim files.

   Claim Number

   55CAMO08088340

   55CAMO08084875

Reference: § 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.200(3) (B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08.)

2. The examiners found that the Company failed to respond to all pertinent communications from the following claimant, which suggested that a response was expected within 10 working days.

Claim Number
55CAMO08088073

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(2) (C)

3. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims, causing claim payment delays for the following 23 claim files.

Claim Number	Claim Number
55CAMO09093622	55CAMO09091979
*55CAMO09094772	55CAMO09095696
*55CAMO09096076	55CAMO09095850
55CAMO08090204	55CAMO09095875
55CAMO08091055	55CAMO09095882
55CAMO09094424	55CAMO09096412
55CAMO09099717	55CAMO09096643
55CAMO08083473	55CAMO09097203
*55CAMO08088483	55CAMO09098670
55CAMO08088741	*55CAMO09099826
*55CAMO08090119	55CAMO08087707
*55CAMO09091962	

Reference: § 375.1007(2), and (3), RSMo

4. The Company failed to provide the paper file documents regarding the following five claim files within 10 days of the request by the examiners.

Claim Number

55CAMO09094410

*55CAMO08088483

55CAMO09092591

*55CAMO09099826

55CAMO08085039

Reference: § 374.205.2(2), RSMo and 20 CSR 100-8.040(3) (B) 1. and 4.

5. The examiners found that the Company failed to provide all claim forms and reasonable assistance to the insured within 10 working days after the initial notification of the following two claims.

Claim Number

*55CAMO09094772

*55CAMO09096076

Reference: § 375.1007(2), RSMo and 20 CSR 100-1.030(3)

6. The examiners found that the Company failed to complete the investigation within 30 calendar days after the initial notification of the claim when it could reasonably been done regarding the following two claim files.

Claim Number

*55CAMO08088483

*55CAMO09091962

Reference: § 375.1007(3), RSMo and 20 CSR 100-1.050(4)

7. The examiners found that the Company unreasonably delayed the investigation and payment of the following claim by requiring both a formal proof of loss form and subsequent verification (the police report). This resulted in duplication of information and verification that would appear on the proof of loss form. The examiners also found that the Company failed to attempt in good faith to effectuate a fair and equitable settlement of the following claim in which liability was reasonably clear, resulting in claim payment delays. The police report cited the insured driver with a stop sign, signal violation and the claimant with none. The Company later paid 100% of the claimant's property damage claim after subrogated by the adverse insurer.

Claim Number

*55CAMO08090119

Reference: § 375.1007(4) and (11), RSMo

*Although listed multiple times, the claim numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Physical Damage claims paid and closed during the examination period.

Field Size:	591
Sample Size:	100
Type of Sample:	Random
Number of Errors:	100
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners noted the following exceptions during their review:

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following 100 claims arising under its policies. The Company failed to have a claims manual pertaining to Missouri claims processing in place, which would provide the Company personnel with information relating to what the reasonable standards are and how to implement those standards.

Claim Number	Claim Number
55CAMO08083680	55CAMO08084528
55CAMO08084875	55CAMO08085649
55CAMO08085800	*55CAMO08088073
55CAMO08088108	*55CAMO08088625
55CAMO08089281	55CAMO08089678
*55CAMO08089752	*55CAMO08085904
55CAMO08087680	*55CAMO08088340
*55CAMO08088483	55CAMO08089054
55CAMO08089720	55CAMO08090051
*55CAMO08090228	*55CAMO08090280
55CAMO08090402	55CAMO08090545
55CAMO08090570	55CAMO08091225
*55CAMO08091557	*55CAMO09092316

Claim Number	Claim Number
55CAMO09092458	*55CAMO09092519
55CAMO09092591	55CAMO09093326
55CAMO09093442	55CAMO09093593
*55CAMO09093622	55CAMO09094219
55CAMO09094393	*55CAMO09094410
*55CAMO09094746	*55CAMO09094772
*55CAMO09094846	*55CAMO09095202
55CAMO09095448	*55CAMO09096027
*55CAMO09096076	55CAMO09096343
*55CAMO09097147	*55CAMO09097952
55CAMO09097955	55CAMO09098747
55CAMO09098983	*55CAMO09099404
55CAMO09099689	55CAMO09100052
55CAMO08090204	55CAMO08090359
*55CAMO08091055	*55CAMO08091084
55CAMO09094424	55CAMO09094854
*55CAMO09099717	55CAMO09100075
*55CAMO08083473	55CAMO08084703
55CAMO08086533	55CAMO08087102
55CAMO08087707	*55CAMO08088741
55CAMO08088806	55CAMO08088918
*55CAMO08090119	55CAMO08090205
55CAMO09091962	55CAMO09091979
*55CAMO09092285	*55CAMO09092863
55CAMO09092946	55CAMO09093929
55CAMO09093983	55CAMO09094023
55CAMO09094192	55CAMO09094250
55CAMO09095118	55CAMO09095160
55CAMO09095696	55CAMO09095850
*55CAMO09095875	55CAMO09095882

Claim Number	Claim Number
*55CAMO09096037	55CAMO09096111
*55CAMO09096412	55CAMO09096462
55CAMO09096625	*55CAMO09096643
*55CAMO09097203	*55CAMO09098670
55CAMO09098778	*55CAMO09099826
55CAMO09100029	55CAMO09100297
*55CAMO08085039	55CAMO09095356

Reference: § 375.1007(3), RSMo

2. The examiners found that the Company failed to clearly document the following 17 claim files showing the inception, handling and disposition of those claims. Because the files failed to document how the settlements were reduced or arrived at, and therefore, the examiners were unable to determine if the settlements were fair and equitable.

Claim Number	Claim Number
*55CAMO08088073	*55CAMO09094746
*55CAMO08085904	*55CAMO09095202
*55CAMO08089752	*55CAMO09096027
*55CAMO08088625	*55CAMO08088340
*55CAMO08090280	*55CAMO09092519
*55CAMO09094410	*55CAMO09097952
*55CAMO09094772	*55CAMO09097147
*55CAMO09096076	
*55CAMO08090119	

Reference: § 375.1007(4) and (8) RSMo, 20 CSR 100-1.050(2) (E), and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08)

3. The examiners found that the Company failed to include in the following 19 claim files, a copy of a Missouri sales tax affidavit concerning the insured's and/or claimant's total loss vehicle(s).

Claim Number	Claim Number
*55CAMO08088073	*55CAMO09094772
*55CAMO08085904	*55CAMO09096076
*55CAMO08090280	*55CAMO08088741
*55CAMO08091557	*55CAMO09096412
*55CAMO09092316	*55CAMO09096643
*55CAMO09092285	*55CAMO09097203
*55CAMO09092863	*55CAMO09098670
*55CAMO09096037	*55CAMO09099826
*55CAMO09093622	*55CAMO08085039
*55CAMO09094192	

Reference: § 144.027, RSMo, and 20 CSR 300-2.200(3) (B) 3. (as replaced by 20 CSR 100-8.040(3) (B) 3., eff. 1/30/09)

4. The examiners found that the Company failed to document the following three claim files with a copy of a written denial letter to first party claimants with specific reference to a policy provision, condition, or exclusion.

Claim Number
*55CAMO08089752
*55CAMO09092519
*55CAMO09097952

Reference: § 375.1007(12), RSMo, 20 CSR 100-1.050(1) (A), and 20 CSR 300-2.200(3) (B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08)

5. The examiners found that the Company failed to document the following two claim files with a copy of a salvage title.

Claim Number

*55CAMO08090228

*55CAMO08091557

Reference: § 301.227, RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08)

6. The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlement of the following five claim files, resulting in the following underpayments. After the examiners notified the Company, four of the following five claim underpayments were paid. The $255.41 underpayment amount was not paid.

Claim Number	Claim Underpayment
*55CAMO09092316	$30.00
*55CAMO09092519	$132.00
*55CAMO0904846	$4,500
*55CAMO09092285	$255.41
*55CAMO08088483	$487.85

Reference: §§ 375.1007(4) and 408.020 RSMo

7. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following two claims, causing claim payment delays.

Claim Number

*55CAMO09092519

*55CAMO08083473

Reference: § 375.1007(2) and (3), RSMo

8. The examiners found that the Company failed to date stamp all claim material received regarding the following two claim files.

Claim Number
*55CAMO09092519
*55CAMO09095875

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

9. The examiners found that the Company misrepresented relevant facts or policy provisions to the following five claimants and insureds relating to coverages at issue, resulting in the following underpayments. After the examiners notified the Company, the following four claim underpayments were paid.

Claim Number	Claim Underpayment
*55CAMO09099404	$400.00
*55CAMO08091084	$0.00
*55CAMO09093622	$540.00
*55CAMO08091055	$125.00
*55CAMO09099717	$20.00

Reference: §§ 375.1007(1) and 408.020 RSMo, 20 CSR 100-1.020(1)(A) and (B), and Policy Provisions

10. The examiners found that the Company refused to pay the following insured's claim without conducting a reasonable investigation, resulting in an underpayment.

Claim Number	Claim Underpayment
*55CAMO08084528	Undetermined

Reference: §§ 375.1007(6) and 408.020, RSMo

11. The examiners found that the Company required the following insured to travel an unreasonable distance to obtain a repair estimate.

Claim Number

*55CAMO08083473

Reference: § 375.1007(4), RSMo, and 20 CSR 100-1.050(2)(B)

*Although listed multiple times, the claim numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

B. Private Passenger Auto Bodily Injury Claims Paid

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Bodily Injury claims paid and closed during the examination period.

Field Size:	20
Sample Size:	20
Type of Sample:	Census
Number of Errors:	9
Error Ratio:	45.0%
Within DIFP Guidelines:	No

The examiners noted the following exceptions during their review:

1. The examiners found that the Company failed to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies by failing to contact and provide reasonable assistance within 10 working days to the following first party claimant.

Claim Number

*55CAMO08082613

Reference: § 375.1007(2) and (3), RSMo, and 20 CSR 100-1.030(2) (C)

2. The examiners found that the Company failed to respond to all pertinent communications from following two claimants which suggested a response was expected within 10 working days.

Claim Number

*55CAMO08082613

55CAMO09092329

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(2) (C)

3. The examiners found that the Company failed to provide a letter to the insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter regarding the following claim file.

Claim Number

55CAMO09096830

Reference: § 375.1007(4) RSMo, and 20 CSR 100-1.050(1) (C)

4. The examiners found that the Company failed to provide the paper file documents within 10 days of the request by the examiners for the following two claim files.

Claim Number

*55CAMO08087263

55CAMO09095866

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3) (B) 1. and 4.

5. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following 5 claims, causing claim payment delays.

Claim Number

*55CAMO08087263

55CAMO08087619

55CAMO08087982

55CAMO08088096

55CAMO08089709

Reference: § 375.1007(2), (3), and (4) RSMo

*Although listed multiple times, the claim numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Bodily Injury claims paid and closed during the examination period.

Field Size:	20
Sample Size:	20
Type of Sample:	Census
Number of Errors:	20
Error Ratio:	100%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following 20 claims arising under its policies. The Company failed to have a claims manual in place pertaining to Missouri claims processing, which would allow the Company personnel with information relating to what the reasonable standards are and how to implement those standards.

Claim Number	Claim Number
*55CAMO08085039	*55CAMO08082613
*55CAMO08085800	*55CAMO08087263

Claim Number	Claim Number
*55CAMO08087619	*55CAMO08087982
55CAMO08088018	*55CAMO08088096
55CAMO08088384	55CAMO08088477
*55CAMO08088651	*55CAMO08089113
*55CAMO08089709	55CAMO08089829
55CAMO08089944	55CAMO08091343
*55CAMO09092329	55CAMO09092580
*55CAMO09095866	*55CAMO09096830

Reference: § 375.1007(3) RSMo

2. The examiners found that the Company failed to date stamp all claim material received regarding the following claim file.

Claim Number

*55CAMO08082613

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

3. The examiners found that the Company failed to include a copy of a Missouri sales tax affidavit concerning the insured's and or claimant's total loss vehicle(s) in the following three claim files.

Claim Number

*55CAMO08085039

*55CAMO0906830

*55CAMO08088651

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

4. The examiners found that the Company failed to include a copy of a written denial letter to first party claimants with specific references to the applicable policy provision, condition, or exclusion relative to the denials in the following claim file.

Claim Number

*55CAMO09096830

Reference: § 375.1007(12), RSMo, 20 CSR 100-1.050(1) (A) and 20 CSR 300.2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08)

5. The examiners found that the Company failed to clearly document the following four claim files showing the inception, handling and disposition of the claims. One file failed to document how the Company arrived at a 15% reduction of the collision subrogation claim and two files failed to document how bodily injury settlements were determined and one file resulted in a claim underpayment by not documenting how the Company arrived at a depreciation amount for nonmoving parts.

Claim Number	Claim Underpayment
*55CAMO08085800	$0.00
*55CAMO08088096	$248.12
*55CAMO08089113	$0.00
*55CAMO08089709	$0.00

Reference: § 375.1007(4) and (8) RSMo, 20 CSR 100-1.050(2) (E), 20 CSR 300-2.200 and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08)

6. The examiners found that the Company misrepresented relevant facts or policy provisions to claimants and insureds relating to coverages at issue. In the following two claim files, the claim file documented the Company stated to a third party claimant, that coverage could not be provided when it later was. In the other claim, a third party claimant was incorrectly told the rental vehicle coverage was for only the time it took to repair the damaged vehicle and not for the total time the claimant was without its use.

   Claim Number

   *55CAMO08087619

   *55CAMO08087982

Reference: § 375.1007(1) RSMo, 20 CSR 1.020(1)(A) and (B), Policy Provisions and *Cashon, vs. Allstate Ins. Co.*, 190 SW 3d 573 (Mo. App. E.D. 2006)

7. The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlement of the claim regarding the following claim file. The Company denied liability and then later accepted liability to a third party claimant.

   Claim Number

   *55CAMO08087982

Reference: § 375.1007(4), RSMo

*Although listed multiple times, the claim numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

C. Private Passenger Auto Uninsured/Underinsured Motorist Claims Paid

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Uninsured/Underinsured Motorist claims closed with payment during the examination period.

Field Size:	4
Sample Size:	4
Type of Sample:	Census
Number of Errors:	0

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Uninsured/Underinsured Motorist claims closed with payment during the examination period.

Field Size:	4
Sample Size:	4
Type of Sample:	Census
Number of Errors:	4
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following four claims arising under its policies. The Company failed to have a claims manual in place pertaining to Missouri claims processing, which would allow Company personnel to know what the reasonable claims handling standards are and to implement those standards.

Claim Number	Claim Number
55CAMO08084327	*55CAMO08087050
55CAMO09094491	55CAMO09099172

Reference: § 375.1007(3), RSMo

2. The examiners found that the Company failed to date stamp all claim material received regarding the following claim file.

Claim Number

*55CAMO0807050

Reference: 20 CSR 300-2.200 (as amended 20 CSR 100-8.040, eff. 7/30/08)

*Although listed multiple times, the claim numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

D. Private Passenger Auto Total Loss Claims Paid

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Total Loss claims closed with payment during the examination period.

Field Size:	119
Sample Size:	119
Type of Sample:	Census
Number of Errors:	22
Error Ratio:	18.5%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following 22 claims, causing claim payment delays in each file.

Claim Number	Claim Number
*55CAMO08082162	*55CAMO08087596
55CAMO08083320	*55CAMO08083739
*55CAMO08087948	*55CAMO08083739
*55CAMO08086258	55CAMO08088601
55CAMO08086274	*55CAMO08088650
*55CAMO08086288	*55CAMO08088960

Claim Number	Claim Number
55CAMO08086557	*55CAMO08089005
*55CAMO08084912	55CAMO08089144
*55CAMO08086197	55CAMO08089781
*55CAMO08086691	55CAMO08091208
55CAMO08087523	*55CAMO08089871

Reference: § 375.1007(2), (3), and (4), RSMo

2. The examiners found that the Company failed to promptly provide all necessary claim forms, instructions and reasonable assistance to the following 11 first party claimants within 10 working days of notification of the claim.

Claim Number

*55CAMO08082162

*55CAMO08085796

*55CAMO08086258

*55CAMO08086288

*55CAMO08084912

*55CAMO08086197

*55CAMO08086691

*55CAMO08083739

*55CAMO08087948

*55CAMO08088650

*55CAMO08089871

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(3)

3. In following five files, the Company unreasonably delayed the investigation or payment of claims by requiring both a formal proof of loss and subsequent information and verification that would result in the duplication of information and verification already appearing in the formal proof of loss form.

Claim Number

*55CAMO08085796

*55CAMO08086258

*55CAMO08084912

*55CAMO08087596

*55CAMO08089871

Reference: § 375.1007(11), RSMo

4. The examiners found that the Company failed to provide a letter to the following two insureds explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter.

Claim Number

*55CAMO08088960

*55CAMO08089005

Reference: § 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.200(3) (B) (as replaced by 20 CSR 100-8.040(3)(B), as amended 7/30/08)

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Total Loss claims closed with payment during the examination period.

Field Size:	119
Sample Size:	119
Type of Sample:	Census
Number of Errors:	119
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following 119 claims arising under its policies . The Company failed to have a claims manual in place pertaining to Missouri claims processing, which would provide the Company personnel with information regarding what the reasonable standards are and to implement those standards when processing these claims.

Claim Number	Claim Number
55CAMO08082162	*55CAMO08083320
*55CAMO08083739	55CAMO08085796
*55CAMO08086258	*55CAMO08086274
*55CAMO08086288	*55CAMO08086557
55CAMO08086645	55CAMO08087003
55CAMO08083755	*55CAMO08084912
*55CAMO08085843	55CAMO08085904
*55CAMO08086169	*55CAMO08086197
*55CAMO08086691	*55CAMO08087523
*55CAMO08087535	*55CAMO08087596
55CAMO08087881	*55CAMO08087948
*55CAMO08088216	55CAMO08088316
*55CAMO08088601	*55CAMO08088650
*55CAMO08088705	55CAMO08088741
*55CAMO08088960	*55CAMO08089005
55CAMO08089054	*55CAMO08089144

Claim Number	Claim Number
55CAMO08089239	55CAMO08089315
*55CAMO08089653	55CAMO08089726
*55CAMO08089781	55CAMO08089788
55CAMO08089826	55CAMO08089870
*55CAMO08089871	55CAMO08090057
55CAMO08090119	55CAMO08090228
55CAMO08090280	*55CAMO08090483
55CAMO08090577	55CAMO08090688
55CAMO08090969	55CAMO08091017
*55CAMO08091154	*55CAMO08091208
55CAMO08091280	55CAMO08091543
55CAMO08091557	55CAMO08091704
55CAMO08091718	55CAMO09091944
55CAMO08091718	55CAMO09091944
55CAMO09092033	55CAMO09092316
55CAMO09092734	55CAMO09092863
*55CAMO09093292	55CAMO09093408
55CAMO09093434	55CAMO09093551
*55CAMO09093598	55CAMO09093622
55CAMO09093633	55CAMO09093728
55CAMO09093757	55CAMO09093865
55CAMO09094398	55CAMO09094406
55CAMO09094428	55CAMO09094562
55CAMO09094612	55CAMO09094659
55CAMO09094772	55CAMO09094908
55CAMO09094982	55CAMO09095021
55CAMO09095062	55CAMO09095063
55CAMO09095083	55CAMO09095218
55CAMO09095375	55CAMO09095567
55CAMO09095598	55CAMO09095600

Claim Number	Claim Number
55CAMO09095639	55CAMO09095771
55CAMO09095816	55CAMO09095866
55CAMO09096011	55CAMO09096076
55CAMO09096456	55CAMO09096536
55CAMO09096742	55CAMO09096830
55CAMO09097080	55CAMO09097268
55CAMO09097375	55CAMO09097522
55CAMO09097767	55CAMO09097850
55CAMO09097946	55CAMO09097965
55CAMO09097967	55CAMO09098254
55CAMO09098562	55CAMO09098670
55CAMO09098682	55CAMO09098767
55CAMO09099113	55CAMO09099122
55CAMO09099171	55CAMO09099204
55CAMO09099748	

Reference: § 375.1007(3), RSMo

2. The examiners found that the Company failed to include a copy of a Missouri sales tax affidavit concerning the insured's and/or claimant's total loss vehicle(s) in the following 27 claim files.

Claim Number	Claim Number
*55CAMO08083320	*55CAMO08086691
*55CAMO08086258	*55CAMO08087523
*55CAMO08086274	*55CAMO08087535
*55CAMO08086288	*55CAMO08087596
*55CAMO08086557	*55CAMO08083739
*55CAMO08085843	*55CAMO08087948
*55CAMO08086169	*55CAMO08088216
*55CAMO08086197	*55CAMO08088601

Claim Number	Claim Number
*55CAMO08088650	*55CAMO08091154
*55CAMO08088705	*55CAMO08091208
*55CAMO08089005	*55CAMO08090483
*55CAMO08089144	*55CAMO09093292
*55CAMO08089653	*55CAMO09093598
*55CAMO08089781	

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

3. The examiners found that the Company failed to date stamp all claim material received in the following two claim files.

Claim Number
*55CAMO08086258
*55CAMO08086274

Reference: 20 CSR 300-2.200 (as amended 20 CSR 100-8.040, eff. 7/30/08)

4. The examiners found that the Company misrepresented relevant facts or policy provisions to the following nine claimants and insureds, relating to coverages at issue. In four files, the Company told the insured that it could not run total loss settlement values until an accident report was received from the insured, even though it had previously been notified of the accident. In three files, the Company incorrectly explained to the insureds that there was a 30 day waiting period on total loss auto thefts reported before settlement could be made. One file documented that the insured was told that a flood damaged vehicle could not be retained by the insured owner. In another file, the insured was incorrectly told that charges related to the vehicle total loss towing would not be covered.

   Claim Number

   *55CAMO08086274

   *55CAMO08084912

   *55CAMO08087948

   *55CAMO08088601

   *55CAMO08088960

   *55CAMO08089005

   *55CAMO08089653

   *55CAMO08091154

   *55CAMO08089871

Reference: § 375.1007(1), RSMo, 20 CSR 1.020(1)(A) and (B), Policy Provisions, and *Cashon vs. Allstate Ins. Co.*, 190 SW 3d 573 (Mo. App. E.D. 2006)

5. The examiners found that the Company failed to disclose all pertinent benefits and coverages at issue to the following first party claimant. The Company failed to advise that the insured could retain the total loss vehicle.

   Claim Number

   *55CAMO0806169

Reference: § 375.1007(1), RSMo, and 20 CSR 1.020(1)(A) and (B)

6. The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlement of the claim regarding the following four claim files, which resulted in the following underpayments on these claims.

Claim Number	Claim Underpayment
*55CAMO08087535	$462.50
*55CAMO08088216	$1,925
*55CAMO08090483	$2,025
*55CAMO09093598	$1,528

Reference: §§ 375.1007(4), and 408.020, RSMo

7. The examiners found that the Company failed to clearly document the following two files to clearly show the inception, handling and disposition of the claims. This resulted in a claim underpayment in one of these files.

Claim Number	Claim Underpayment
*55CAMO08089005	$0.00
*55CAMO08089144	$250

Reference: § 375.1007(3), (4), and (8) RSMo, and 20 CSR 100-1.050(2) (E), and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08)

*Although listed multiple times, the claim numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

E. Commercial Auto Physical Damage Claims Paid

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Commercial Auto Physical Damage claims paid during the examination period.

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	4
Error Ratio:	33.3%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to respond to all pertinent communications from claimants which suggested that a response was expected within 10 working days regarding the following claim file.

   Claim Number

   *55CBLG08082690

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(2) (C)

2. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims, causing claim payment delays regarding the following claim file. The Company delayed 54 days before calling the producer to determine coverage.

   Claim Number

   *55CBLG08082690

Reference: § 375.1007(2), (3), and (4), RSMo

3. The examiners found that the Company failed to promptly provide all necessary claim forms, instructions and reasonable assistance to the first party claimant within 10 working days of notification of the claim.

   Claim Number

   *55CBLG08082690

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(2) and (3)

4. The examiners found that the Company failed to complete the following claim investigation within 30 days after notification of the claim, when it could have been reasonably done.

   Claim Number

   *55CBLG08082690

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

5. The examiners found that the Company failed to provide a letter to the insured in the following claim file explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter.

   Claim Number

   55CBLG09093299

Reference: § 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.200(3) (B) (as amended 20 CSR 100-8.040(3) (B), eff. 7/30/08)

6. The examiners found that the Company failed to provide the paper file documents within 10 days of the request by the examiners regarding the following two claim files.

Claim Number
CBLG09094220
CBLG09100805

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040, eff. 7/30/08)

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Commercial Auto Physical Damage claims paid during the examination period.

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	12
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following 12 claims arising under its policies. The Company failed to have a claims manual in place pertaining to Missouri claims processing, which would have provided the Company personnel with what the reasonable standards were for claims processing and how to implement those standards.

Claim Number	Claim Number
*55CBLG08087241	55CBLG08075333
55CBLG07071054	55CBLG08082690
55CBLG07073168	55CBLG08078851
55CBLG08079797	55CBLG08082662
*55CBLG07073168	*55CBLG09093299
55CBLG09094220	55CBLG09100805

Reference: § 375.1007(3), RSMo

2. The Company failed to protect all lienholders and those with insurable interest according to the Company's policy provisions. The Company paid the named insured, but failed to include the lienholder who also had an insurable interest concerning the damaged vehicle.

Claim Number

*55CBLG08087241

Reference: Policy Provisions

3. The examiners found that the Company failed to document the following two files with a copy of a Missouri sales tax affidavit concerning the insured's and or the claimant's total loss vehicle(s).

Claim Number

*55CBLG07073168

*55CBLG09093299

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

*Although listed multiple times, the claim numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

F. Commercial Auto Uninsured/Underinsured Motorist Claims Paid

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Commercial Auto Uninsured/Underinsured Motorist claims paid during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Commercial Auto Uninsured/Underinsured Motorist claims paid during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners discovered the following exception during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following claim arising under its policies. The Company failed to have a claims manual in place pertaining to Missouri claims processing, which would provide the Company personnel with information regarding the reasonable standards for claim handling are and how to implement those standards.

   Claim Number

   55CBLG09093750

Reference: § 375.1007(3), RSMo

G. Commercial Auto Subrogation Claims Paid

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Commercial Auto Subrogation claims paid during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Commercial Auto Subrogation claims paid during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners discovered the following exception during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following claim arising under its policies. The Company failed to have a claims manual in place pertaining to Missouri claims processing, which would provide the Company personnel with information regarding what the reasonable standards for claims handling are and how to implement those standards.

   Claim Number

   55CBLG07073168

Reference: § 375.1007(3), RSMo

H. Private Passenger Auto Physical Damage Claims Closed Without Payment

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Physical Damage claims closed without payment during the examination period.

Field Size:	667
Sample Size:	100
Type of Sample:	Random
Number of Errors:	16
Error Ratio:	16.0%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to provide a letter to the following six insureds explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter.

   Claim Number

   55CAMO09093256

   55CAMO09093281

   55CAMO09093990

   55CAMO09095008

   55CAMO08083856

   55CAMO08082969

Reference: § 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.200(3) (B) (as replaced by 20 CSR 100-8.040(3) (B), eff. 7/30/08)

2. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following six claims, in that the Company failed to attempt to settle with claimants where liability was clear, failed to investigate the insureds liability exposures, and delayed an investigation by requesting photographs that were taken 174 days prior to the request. This resulted in claim payment delays and one claim underpayment.

Claim Number	Claim Underpayment
*55CAMO09094303	$0.00
55CAMO09094340	$0.00
55CAMO09094862	$0.00
55CAMO09095594	$980.43
55CAMO09100149	$0.00
55CAMO09092848	$0.00

Reference: § 375.1007(2), (3), and (4), RSMo

3. The examiners found that the Company failed to provide the following paper file documents within 10 days of the request by the examiners.

Claim Number
*55CAMO09094303

Reference: § 374.205.2(2), RSMo and 20 CSR 100-8.040(3) (B) 1. and 4.

4. The examiners found that the Company failed to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies and failed to contact and provide reasonable assistance within 10 working days to the following three claimants.

   Claim Number

   55CAMO09095712

   55CAMO09092498

Reference: § 375.1007(2) and (3), RSMo, and 20 CSR 100-1.030(1) and (2) (C)

5. The examiners found that the Company failed to complete the investigation of the following claim within 30 calendar days after the initial notification of the claim when it could have reasonably been done.

   Claim Number

   *CAMO08087753

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

6. The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlement of the following claim in which liability was reasonably clear, in that it required subsequent duplication of information, resulting in a claim payment delay.

   Claim Number

   55CAMO08090317

Reference: § 375.1007(4) and (11), RSMo

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Physical Damage claims closed without payment during the examination period.

Field Size:	667
Sample Size:	100
Type of Sample:	Random
Number of Errors:	100
Error Ratio:	100%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following 100 claims arising under its policies. The Company failed to have a claims manual in place pertaining to Missouri claims processing, which would provide the Company personnel with information regarding the reasonable standards for claims handling and how to implement those standards.

Claim Number	Claim Number
55CAMO08082508	*55CAMO08082969
*55CAMO08083035	55CAMO08085409
55CAMO08085444	55CAMO08085640
55CAMO08085751	*55CAMO08086835
55CAMO08087753	55CAMO08087784
*55CAMO08087963	*55CAMO08088127
55CAMO08089249	*55CAMO08090008
*55CAMO08090835	*55CAMO08083856
55CAMO08086692	*55CAMO08090472
55CAMO08082273	55CAMO08082613
55CAMO08083881	55CAMO08085324
55CAMO08086116	*55CAMO08086162
55CAMO08087358	*55CAMO08087542
*55CAMO08087568	55CAMO08087697
55CAMO08090260	*55CAMO08090350

Claim Number	Claim Number
55CAMO08082613	*55CAMO08086168
55CAMO08087526	55CAMO08089168
*55CAMO08089328	55CAMO08089671
*55CAMO08090317	55CAMO08090362
55CAMO08090704	55CAMO08090959
*55CAMO08091225	*55CAMO09091961
*55CAMO09092035	55CAMO09092037
55CAMO09092064	*55CAMO09092498
55CAMO09092616	55CAMO09092639
*55CAMO09092848	55CAMO09092958
*55CAMO09093098	*55CAMO09093256
55CAMO09093281	55CAMO09093303
55CAMO09093418	*55CAMO09093477
55CAMO09093774	*55CAMO09093897
*55CAMO09093990	55CAMO09093993
55CAMO09094203	55CAMO09094217
55CAMO09094303	55CAMO09094340
55CAMO09094475	55CAMO09094510
55CAMO09094539	55CAMO09094735
55CAMO09094759	55CAMO09094778
*55CAMO09094862	55CAMO09095008
55CAMO09095119	55CAMO09095555
55CAMO09095594	55CAMO09095712
*55CAMO09096310	55CAMO09096318
55CAMO09096462	55CAMO09096565
55CAMO09096623	55CAMO09097197
55CAMO09097594	55CAMO09097948
55CAMO09097988	*55CAMO09098119
55CAMO09098357	55CAMO09098471
55CAMO09098548	55CAMO09098614

Claim Number	Claim Number
55CAMO09098716	55CAMO09098750
55CAMO09098915	55CAMO09099040
55CAMO09099174	55CAMO09100014
55CAMO09100149	*55CAMO09100315
55CAMO09100800	55CAMO09101143

Reference: § 375.1007(3), RSMo

2. The examiners found that the Company failed to document the following seven files with a copy of a written denial letter to the first party claimants with specific references to a policy provision, condition, or exclusion.

Claim Number
*55CAMO09093990
*55CAMO08090472
*55CAMO08083856
*55CAMO08082969
*55CAMO09098119
*55CAMO08090350

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

3. The examiners found that the Company misrepresented relevant facts or policy provisions to the following three claimants and insureds relating to coverages at issue. The Company told an insured the vehicle was repaired at the direction of the adverse carrier when it was not. It explained to another claimant that rental reimbursement was limited to $20 to $30 a day, and that it does not reimburse the third party claimant's deductible when liability is confirmed at 100%. The Company explained to another claimant that the investigation had just begun, when it had previously closed the file.

Claim Number
*55CAMO09092035
*55CAMO09100315
*55CAMO08087542

Reference: § 375.1007(1) and (4), RSMo, 20 CSR 1.020(1)(A)(B), Policy Provisions, and *Cashon vs. Allstate Ins. Co.*, 190 SW3d 573 (Mo. App. E.D. 2006)

4. The examiners found that the Company failed to document the following 20 claim files to clearly show the inception, handling and disposition of those claims. There were claim underpayments in two of the files.

Claim Number	Claim Underpayment
*55CAMO09093256	$0.00
*55CAMO09093477	$0.00
*55CAMO09093897	$0.00
*55CAMO09093990	$0.00
*55CAMO09094862	$0.00
*55CAMO08088127	$500
*55CAMO08087963	$0.00
*55CAMO08082969	$0.00
*55CAMO08086835	$0.00
*55CAMO08090008	$0.00
*55CAMO09096310	$0.00
*55CAMO09092498	$2,644.10 (undetermined)
*55CAMO08087568	$0.00

Claim Number	Claim Number
*55CAMO08087542	$0.00
*55CAMO09093098	$0.00
*55CAMO09092848	$0.00
*55CAMO08090317	$0.00
*55CAMO08086168	$0.00
*55CAMO08091225	$0.00
*55CAMO09091961	$0.00

Reference: § 375.1007(3), (4), and (8), RSMo, 20 CSR 100-1.020(1)(A) and (B), 20 CSR 100-1.050(2) (E), and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08)

5. The examiners found that the Company required the following two claimants to travel an unreasonable distance to inspect a replacement automobile, obtain a repair estimate or to have the automobile repaired at a specific shop.

   Claim Number

   *55CAMO08083856

   *55CAMO08083035

Reference: § 375.1007(4), RSMo, and 20 CSR 100-1.050(2) (B)

6. The examiners found that the Company failed to disclose all pertinent benefits and coverages at issue to the following two first party claimants, in that one file failed to document that the collision damage was covered ($1,325.29 was recovered) and in another, the file did not document the claim handling and why it was closed.

   Claim Number

   *55CAMO08090835

   *55CAMO08087568

Reference: § 375.1007(1), RSMo, and 20 CSR 1.020(1)(A) and (B)

7. The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlement of the following two claims, in that the Company failed to reimburse one of the insureds the covered collision damage, and failed to document if the appropriate application of depreciation and betterment was applied in the other file. One claim was underpaid as indicated below.

Claim Number	Claim Underpayment
*55CAMO08090835	$1,325.29
*55CAMO08086162	$0.00
*55CAMO09092035	$3,007.00

Reference: §§ 375.1007(4) and 408.020, RSMo

8. The examiners found that the Company failed to document the following two files with a copy of a Missouri sales tax affidavit concerning the insured's and the claimant's total loss vehicle(s).

Claim Number
*55CAMO09093098
*55CAMO08089328

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

9. The examiners found that the Company failed to date stamp all claim material received regarding the following claim file.

Claim Number
*55CAMO08090317

Reference: 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 1/30/09)

10. The examiners found that the Company failed to document the following file with a copy of a salvage title.

Claim Number

*55CAMO08089328

Reference: § 301.227, RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by 20 CSR 100-8.040(3)(B), eff. 7/30/08)

11. The examiners found that the Company denied the following claim file as a result of a policy exclusion which denied vehicle theft coverage for leaving the car keys in the vehicle or with no signs of forcible entry and subsequent damage. The examiners contend that this type of conduct was not in the best interest of Missouri consumers and in particular, to an innocent named insured not responsible for the action (an in household spouse not driving or in possession of the vehicle) or lienholder that had an insurable interest in the property.

Claim Number

*55CAMO08090472

Reference: Conduct not in the best interest of Missouri consumers. This was not considered in the error ratio

*Although listed multiple times, the claim numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

I. Private Passenger Auto Medical Payment Claims Closed Without Payment

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Medical Payment claims closed without payment during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Medical Payment claims closed without payment during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	2
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following two claims arising under its policies. The Company failed to have a claims manual in place pertaining to Missouri claims processing, which would provide the Company personnel with information regarding what the reasonable standards are for claims handling and how to implement those standards.

   Claim Number

   55CAMO09094846

   *55CAMO08091599

Reference: § 375.1007(3), RSMo

2. The examiners found that the Company refused to pay the following claim without conducting a reasonable investigation. The Company failed to investigate the claim in order to protect the insured from third party bodily injury and property damage liability exposures.

   Claim Number

   *55CAMO08091599

Reference: § 375.1007(6), RSMo

3. The examiners found that the Company misrepresented relevant facts or policy provisions to the following claimant, relating to coverages at issue. The Company failed to explain to the insured the coverage issues of liability, property damage, injuries and medical payments when it was aware of those issues.

   Claim Number

   *55CAMO08091599

Reference: § 375.1007(1) (4) RSMo, 20 CSR 1.020(1)(A) and (B), Policy Provisions, and *Cashon vs. Allstate Ins. Co.*, 190 SW 3d 573 (Mo. App. E.D. 2006)

4. The examiners found that the Company failed to document the file to clearly show the inception, handling and disposition for the following claim file. The file was closed on 1/5/09 with no explanation. Therefore, the examiners were unable to determine the handling and disposition of the claim.

   Claim Number

   *55CAMO08091599

Reference: § 375.1007(3), (4), and (8), RSMo, 20 CSR 100-1.020(1)(A) and (B), 20 CSR 100-1.050(2)(E), and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08)

5. The examiners found that the Company failed to document the following file with a copy of a written denial letter to the first party claimant with a specific reference to a policy provision, condition, or exclusion to explain the reason for the denial.

   Claim Number

   *55CAMO08091599

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

*Although listed multiple times, the claim numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

J. Private Passenger Auto Bodily Injury Claims Closed Without Payment

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Bodily Injury claims closed without payment during the examination period.

Field Size:	14
Sample Size:	14
Type of Sample:	Census
Number of Errors:	7
Error Ratio:	50.0%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to respond to all pertinent communications from the following claimant which suggested that a response was expected within 10 working days.

   Claim Number

   55CAMO08084155

Reference: § 375.1007(2), RSMo, and 20 CSR 100-1.030(2) (C)

2. The examiners found that the Company failed to provide the paper file documents for the following four claim files within 10 days of the request by the examiners.

   Claim Number

   55CAMO08086019

   *55CAMO08089225

   55CAMO08090288

   55CAMO09094829

Reference: § 374.205.2(2), RSMo, and 20 CSR 100-8.040(3) (B) 1. and 4.

3. The examiners found that the Company failed to provide a letter to the following insured explaining why the file remained open after 45 days of the initial notification of the claim and every 45 days thereafter.

   Claim Number

   *55CAMO08089225

Reference: § 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.200(3) (B) (as replaced by 20 CSR 100-8040(3) (B), eff. 7/30/08)

4. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims, causing claim processing delays regarding the following two claim files. The Company failed to order a police report or perform an investigation to protect the following two insureds from liability exposure. In one file, a coverage determination was made based solely on a police report submitted by the claimant's attorney.

   Claim Number

   55CAMO08089737

   55CAMO08091213

Reference: § 375.1007(2), (3), and (4), RSMo

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Bodily Injury claims closed without payment during the examination period.

Field Size:	14
Sample Size:	14
Type of Sample:	Census
Number of Errors:	14
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following 14 claims arising under its policies. The Company failed to have a claims manual in place pertaining to Missouri claims processing, which would provide the Company personnel with information regarding what the reasonable standards for claims handling are and how to implement those standards.

Claim Number	Claim Number
55CAMO08082476	55CAMO08082613
55CAMO08089548	*55CAMO08084155
55CAMO08086019	55CAMO08087263
*55CAMO08089225	55CAMO08089366
55CAMO08089737	*55CAMO08090288
55CAMO08090362	*55CAMO08091213
55CAMO09094829	55CAMO09096384

Reference: § 375.1007(3), RSMo

2. The examiners found that the Company failed to document the file to clearly show the inception, handling and disposition for the following three claim files.

Claim Number
*55CAMO08084155
*55CAMO08089225
*55CAMO08090288

Reference: § 375.1007(3), (4), and (8), RSMo, 20 CSR 100-1.020(1)(A) and (B), 20 CSR 100-1.050(2) (E), and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08)

3. The examiners found that the Company failed to date stamp all claim material received regarding the following claim file.

Claim Number

*55CAMO08084155

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

4. The examiners found that the Company failed to document the following file with a copy of a Missouri sales tax affidavit concerning the insured's and/or the claimant's total loss vehicle(s).

Claim Number

*55CAMO08089225

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

5. The examiners found that the Company failed to document the file with a copy of a written denial letter to its first party claimants with a specific reference to a policy provision, condition, or exclusion.

Claim Number

*55CAMO08091213

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

*Although listed multiple times, the claim numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

K. Private Passenger Auto Uninsured/Underinsured Motorist Claims Closed Without Payment

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Uninsured/Underinsured Motorist claims closed without payment during the examination period.

Field Size:	7
Sample Size:	7
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	14.3%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to attempt in good faith to effectuate fair and equitable settlement of the following claim in which liability was reasonably clear, resulting in claim payment delays, and underpayments. The file documented liability which was reasonably clear against the insured at 100% as the insured rear-ended two claimant vehicles that were stopped. The Company therefore underpaid two property damage claims in that it settled one at 70% and the other at 75%.

Claim Number	Claim Underpayment
55CAMO08087286	$756.04

Reference: § 375.1007(4), RSMo

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Uninsured/Underinsured Motorist claims closed without payment during the examination period.

Field Size:	7
Sample Size:	7
Type of Sample:	Census
Number of Errors:	7
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following seven claims arising under its policies. The Company failed to have a claims manual in place pertaining to Missouri claims processing, which would provide the Company personnel with information regarding what the reasonable standards are for claims handling and how to implement those standards.

Claim Number	Claim Number
55CAMO08087286	55CAMO08089366
55CAMO08089965	55CAMO09092328
55CAMO09094491	55CAMO09096988
55CAMO09097323	

Reference: § 375.1007(3), RSMo

L. Commercial Auto Physical Damage Claims Closed Without Payment

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Commercial Auto Physical Damage claims closed without payment during the examination period.

Field Size:	4
Sample Size:	4
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	25.0%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to provide a letter to the insured explaining why the following file remained open after 45 days of the initial notification of the claim and every 45 days thereafter.

   Claim Number

   55CBLG07073553

Reference: § 375.1007(4), RSMo, 20 CSR 100-1.050(1) (C), and 20 CSR 300-2.200(3) (B) (as replaced by 20 CSR 100-8.040(3) (B), eff. 7/30/08)

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of paid Missouri Commercial Auto Physical Damage claims closed without payment during the examination period.

Field Size:	4
Sample Size:	4
Type of Sample:	Census
Number of Errors:	4
Error Ratio:	100.0%
Within DIFP Guidelines:	No

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of the following two claims arising under its policies. The Company failed to have a claims manual in place pertaining to Missouri claims processing, which would provide the Company personnel with information to know what the reasonable standards are for claims handling and how to implement those standards.

Claim Number	Claim Number
55CBLG07073553	55CBLG07068935
*55CBLG08075288	55CBLG08087998

Reference: § 375.1007(3), RSMo

2. The examiners found that the Company failed to document the file to clearly show the inception, handling and disposition regarding the following claim file.

   Claim Number

   *55CBLG08075288

Reference: § 375.1007(3), (4), and (8) RSMo, 20 CSR 100-1.020(1)(A)(B), 20 CSR 100-1.050(2) (E), and 20 CSR 300-2.200 (as replaced by 20 CSR 100-8.040, eff. 7/30/08)

*Although listed multiple times, the claim numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

M. 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 one exception concerning their review of the Company's Commercial Auto Physical Damage Claims Paid Unfair Settlement and General Handling Practices, and one exception in its Private Passenger Auto Physical Damage Claims Closed Without Payment Unfair Settlement and General Handling Practices. These were previously addressed in those sections, as follows.

1. The Company failed to protect all lienholders and those with insurable interest, according to the Company's policy provisions. The Company paid the named insured, but failed to include the lienholder who also had an insurable interest concerning the damaged vehicle.

   Claim Number

   55CBLG08087241

Reference: Policy Provisions

2. The examiners found that the Company denied the following claim file as a result of a policy exclusion which denied vehicle theft coverage for leaving the car keys in the vehicle or with no signs of forcible entry and subsequent damage regarding the following claim files. The examiners contend that this type of conduct was not in the best interest of Missouri consumers and in particular, to an innocent named insured not responsible for the action or a lienholder that had an insurable interest in the property.

   Claim Number

   55CAMO08090472

Reference: Policy Provisions

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, 2008, through June 30, 2009. The registry contained a total of 89 complaints. They reviewed 89 complaints that were sent to the DIFP. The Company responded to the examiners that there were no complaints sent directly to the Company. The examiners discovered evidence to the contrary concerning complaints that were sent directly to the Company.

A. Complaints Sent Directly to the DIFP

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), eff. 7/30/08).

The examiners discovered no issues or concerns.

B. Complaints Sent Directly to the Company

This review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint.

The examiners discovered the following exceptions during the review.

1. The examiners found that the Company failed to maintain a complete record of complaints received for a period of not less than three years. The three claim files listed below contained a written complaint which primarily expressed a grievance. The Company previously verified to the examiners it had not received any Complaints that were sent directly to it during the examination period. Therefore, no complaint register or log was maintained.

   Claim Number

   55CAMO09094759

   55CAMO08090472

   55CAMO09093292

Reference: § 375.936(3), RSMo, and 20 CSR 300-2.200(3)(D) (as replaced by 20 CSR 100-8040(3) (D), eff. 7/30/08)

IV. 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. The following exceptions (40 criticisms returned late) were noted.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received w/in time-limit, incl. any extensions	126	75.9 %
Received outside time-limit, incl. any extensions	40	24.1 %
No Response	0	0.0 %
Total	166	100 %

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
Received w/in time-limit, incl. any extensions	3	100 %
Received outside time-limit, incl. any extensions	0	0.0 %
No Response	0	0.0 %
Total	3	100 %

Reference: §374.205.2(2), 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 Universal Casualty Company (NAIC #42862), Examination Number 0903-13-TGT. This examination was conducted by Scott B. Pendleton, Dale C. Hobart, Dennis R. Foley, and Darren Jordan. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated May 11, 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.

2/9/2011

Jim Mealer — Date

Chief Market Conduct Examiner

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 9 day of February, 2011.

Kimberly Landers
Notary

My commission expires: May 18, 2012

KIMBERLY LANDERS
MY COMMISSION EXPIRES
May 18, 2012
NOTARY SEAL
#06558402
CALLAWAY COUNTY
NOTARY PUBLIC STATE OF MISSOURI