

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)	
)	
OMNI INDEMNITY COMPANY)	Market Conduct Exam No. 1712-82-TGT
(NAIC #34940))	NAIC MATS NO.: MO-HICKSS1-88

ORDER OF THE DIRECTOR

NOW, on this 23rd day of January, 2020, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of Omni Indemnity Company (NAIC #34940) (hereinafter "Omni"), examination report number 1712-82-TGT, prepared and submitted by the Division of Insurance Market Regulation (hereinafter "Division") pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4). Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4), §374.280 RSMo, and §374.046.15. RSMo, is in the public interest.

IT IS THEREFORE ORDERED that Omni and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

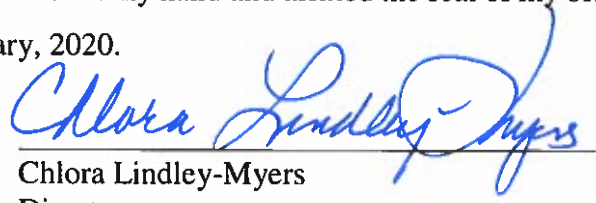
IT IS FURTHER ORDERED that Omni shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016 as amended.

IT IS FURTHER ORDERED that Omni shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$500.00 payable to the Missouri State School Fund in connection with examination no. 1712-82-TGT.

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 23rd day of January, 2020.



Chlora Lindley-Myers
Director



**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)
)
OMNI INDEMNITY COMPANY) **Market Conduct Examination**
(NAIC #34940)) **No. 1712-82-TGT**
) **NAIC MATS NO. MO-HICKSS1-88**
)

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and Omni Indemnity Company (NAIC #34940) (hereinafter “Omni”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter “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 of Missouri;

WHEREAS, Omni has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a Market Conduct Examination of Omni, examination #1712-82-TGT;

WHEREAS, the Division prepared a Final Market Conduct Examination (hereinafter, “Report”) dated January 21, 2020 attached hereto and incorporated herein.

WHEREAS, based on the Market Conduct Examination of Omni, the Division alleges that:

1. In seven instances, Omni did not respond to a claimant within 10 calendar days in

violation of 20 CSR 100-1.030 (2) and implicating the provisions of §375.1007 (2)¹.

2. In four instances, Omni did not complete the investigation of a claim within 30 calendar days in violation of 20 CSR 100-1.050 (4) and implicating the provisions of §375.1007 (4).

3. In one instance, Omni did not send an insured a letter of explanation as to why the claim remained opened for 45 days after initial notification in violation of 20 CSR 100-1.050 (1) (C) and implicating the provisions of §375.1007 (4).

4. In two instances, Omni did not disclose coverages to its insureds in violation of 20 CSR 100-1.020 (1) (A) and implicating the provisions of §375.1007 (1).

5. In two instances, Omni did not provide the insured with a written denial letter in violation of 20 CSR 100-1.050 (1) (A) and implicating the provisions of §375.1007 (12).

6. In several instances, Omni did not document the claims file to clearly show the inception, handling and disposition of the claim in violation of 20 CSR 100-8.040 (2) and implicating the provisions of §375.1007 (3).

7. In 44 instances, Omni did not implement reasonable standards for the settlement of claims arising under its policies in violation of §375.1007 (3) and §375.1005.

8. In one instance, Omni did not maintain records used in determining the basis for the rating of the policy in violation of §374.205.2 (2) and 20 CSR 100-8.040 (3) (A).

9. In seven instances, Omni did not rate policies correctly using an insured's driving record to add a surcharge on comprehensive and uninsured motorist coverages in violation of §379.470 and 20 CSR 500-2.700.

10. In three instances, Omni utilized not-at-fault accidents to place new insureds in a

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016.

higher rating tier in violation of §379.470 and 20 CSR 500-2.600.

WHEREAS, the Division and Omni have agreed to resolve the issues raised in the Market Conduct Examination as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter "Stipulation") embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** Omni agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably assure that the errors noted in the Market Conduct Examination do not recur. Such remedial actions shall consist of the following:

1. Omni agrees to respond to claimants within 10 calendar days as required by 20 CSR 100-1.030 (2).
2. Omni agrees to complete claim investigations within 30 calendar days when it can reasonably do so as required by 20 CSR 100-1.050 (4).
3. Where a claim remains open after 45 days from initial notification, Omni agrees to send the claimant a letter of explanation in writing as to why the claim remains open as required by 20 CSR 100-1.050 (1) (C).
4. Omni agrees to disclose all coverages to its insureds as required by 20 CSR 100-1.020 (1) (A).
5. Omni agrees to re-open claim numbers *0856 and *7840, to notify the claimants of the availability of collision coverage and uninsured motorist coverage respectively, to allow the

claimants the opportunity to file a collision claim and an uninsured motorist claim respectively, and to pay such claims according to the terms of each policy including interest. Interest will be included at a rate to be calculated pursuant to §374.191. A letter will be included with the payment indicating that as a result of a Missouri Market Conduct Examination, it was discovered that the policyholder was entitled to an additional payment.

6. Omni agrees to provide written denial letters to insureds as required by 20 CSR 100-1.050 (1) (A).

7. Omni agrees to document claim files so as to clearly show the inception, handling and disposition of the claim as required by 20 CSR 100-8.040 (2).

8. Omni agrees to re-open claims numbers *3617, *0696, and *6716 listed on page 14 of the Final Report and to make any payments to the claimants at issue that are owed under the terms of the policy including interest. Interest will be included at a rate to be calculated pursuant to §374.191. A letter will be included with the payment indicating that as a result of a Missouri Market Conduct Examination, it was discovered that the policyholder was entitled to an additional payment.

9. Omni agrees to issue an additional payment to those claimants listed on pages 16-20 of the Final Report for the interest amount that failed to be included. Interest will be included at a rate to be calculated pursuant to §374.191. A letter will be included with the payment indicating that as a result of a Missouri Market Conduct Examination, it was discovered that the policyholder was entitled to an additional payment.

10. Omni agrees to maintain all records used in determining the basis for the rating of policies as required by 20 CSR 100-8.040 (3) (A).

11. Omni agrees not to increase premium for uninsured motorist and comprehensive

coverages in Missouri based on an insured's driving record as prohibited by §379.470 and 20 CSR 500-2.700.

12. Omni agrees to review all active and non-active Missouri policies with Nation Safe Drivers (NSD) coverage from July 1, 2014 to December 31, 2019 to determine if a surcharge or other increase in premium was added to comprehensive or uninsured motorist coverage based on an insured's driving record. If an insured's driving record was utilized to increase premium for either of these coverages, Omni agrees to issue refunds to the affected policyholders in the amount of the surcharge or increase that was added including interest. Interest will be included at a rate to be calculated pursuant to §374.191. A letter will be included with the refund indicating that as a result of a Missouri Market Conduct Examination, it was discovered that the policyholder was entitled to a partial refund of premium.

13. Omni agrees that it will not increase premium in the rating of new Missouri policyholders nor increase premium at renewal for existing Missouri policyholders through tier placement, surcharges or by any other means based on not-at-fault accidents as described in 20 CSR 500-2.600.

C. **Compliance.** Omni agrees to file documentation with the Division, in a format acceptable to the Division, within 90 days of the entry of a final order of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation and to document the payment of any restitution required by this Stipulation. Such documentation is provided pursuant to §374.205.

D. **Fees.** Omni agrees to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by Omni pursuant to Paragraphs B and C of this Stipulation.

E. **Voluntary Forfeiture.** Omni agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$500.00 such sum payable to the Missouri State School Fund, in accordance with §374.049.11 and §374.280.2.

F. **Other Penalties.** The Division agrees that it will not seek penalties against Omni, other than those agreed to in this Stipulation, in connection with the above referenced Market Conduct Examination.

G. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by Omni, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above referenced market conduct examination.

H. **Waivers.** Omni, 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, and review or appeal by any trial or appellate court, which may have otherwise applied to the above referenced Market Conduct Examination.

I. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by representatives of the Division and Omni.

J. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

K. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation, on behalf of the Division and Omni respectively.

L. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution and delivery of this Stipulation by facsimile or by an electronically transmitted signature shall be fully and legally effective and binding.

M. **Effect of Stipulation.** This Stipulation shall become effective only upon entry of a Final Order by the Director of the Department (hereinafter the "Director") approving this Stipulation.

N. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation, adopting the Report, and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 1/21/2020 Angela Nelson
Angela Nelson
Director, Division of Insurance
Market Regulation

DATED: 1/21/2020 Stewart Freilich
Stewart Freilich
Chief Market Conduct Examiner and
Senior Counsel
Division of Insurance Market Regulation

DATED: 1/9/2020 R. Ruppelt
[Name and Title]
Omni Indemnity Company
SVP, General Counsel : Secretary

STATE OF MISSOURI
DEPARTMENT OF COMMERCE AND INSURANCE



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

Omni Indemnity Company
NAIC Group #3678
NAIC # 34940

MISSOURI EXAMINATION # 1712-82-TGT

NAIC EXAM TRACKING SYSTEM #MO-HICKSS1-88

January 21, 2020

Omni Indemnity Company
P.O. Box 105440
Atlanta, GA 30348-5440

TABLE OF CONTENTS

FOREWORD	3
SCOPE OF EXAMINATION	4
COMPANY PROFILE	5
EXECUTIVE SUMMARY	6
EXAMINATION FINDINGS	8
I. CLAIMS PRACTICES.....	8
A. Claims Closed Without Payment	9
1. Claims Time Studies	9
2. Unfair Settlement and General Handling Practices.....	11
3. Unfair Claims Practices	12
B. NSD Claims Paid	13
1. Claims Time Studies	13
2. Unfair Settlement and General Handling Practices.....	13
3. Unfair Claims Practices	14
C. Total Losses Claims Paid	14
1. Claims Time Studies	14
2. Unfair Settlement and General Handling Practices.....	15
3. Unfair Claims Practices	20
II. UNDERWRITING AND RATING PRACTICES.....	21
A. Forms and Filings.....	22
B. Non-Active Policies With Towing, Rental and NSD Coverage	22
C. Non-Active Policies With NSD Coverage	24
D. Active Policies With NSD Coverage	25
III. COMPLAINTS.....	25
A. Complaints Sent Directly to the DIFP	26
B. Complaints Sent Directly to the Company	26
IV. CRITICISMS AND FORMAL REQUESTS TIME STUDY.....	26
A. Criticism Time Study.....	26
B. Formal Request Time Study.....	27
EXAMINATION REPORT SUBMISSION	28

FOREWORD

This is a targeted, desk market conduct examination report of the Omni Indemnity Company (NAIC Code # 34940). This examination was conducted at the offices of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP), located at 615 East 13th Street, Room 506, Kansas City Mo. 64106.

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 potential violations made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- "Company" refers to Omni Indemnity Company;
- "CSR" refers to the Missouri Code of State Regulation;
- "DIFP" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Director" refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "NAIC" refers to the National Association of Insurance Commissioners;
- "RSMo" refers to the Revised Statutes of Missouri;
- "NSD" refers to Nation Safe Driver;
- "TL" refers to Total Loss;
- "ST AFF" refers to Sales Tax Affidavit;
- "ACV" refers to Actual Cash Value;
- "OC's" refers to Other Company's;
- "Negl" refers to Negligence;
- "Compar" refers to Comparative;
- "CCC" refers to Certified Collateral Corporation;
- "IV" refers to Insured Vehicle;
- "Subro" refers to Subrogation;
- "PR" refers to Police Report and
- "Pd" refers to Paid.

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 were consistent with the public interest. The primary period covered by this review was July 1, 2014 through June 30, 2017, unless otherwise noted. However, errors outside of this time period found 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 its private passenger automobile business: claims handling, underwriting, policyholder service and complaints 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. 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 profile was provided to the examiners by the Company:

Southeastern Fidelity Life Insurance Company was incorporated in Georgia on December 28, 1973. The initial officers were Dudley L. Moore, Sr., Chairman of the Board and Secretary; Dudley L. Moore, Jr., President; and Arthur B. Ewing, Treasurer. The corporation was formed to engage in and carry on in the business of life insurance, accident and health insurance and reinsurance.

On February 20, 1980, an amendment to the Charter was granted by the Georgia Secretary of State to change the name of the corporation from Southeastern Fidelity Life Insurance Company to Sunbelt Life Insurance Company.

On March 22, 1989, the Georgia Secretary of State approved Sunbelt Life Insurance Company amending its charter to become a property-casualty insurer and also approved the name of the corporation to become Omni Indemnity Company.

On July 18, 1996, Omni Indemnity Company re-domesticated from Georgia to Illinois. It was approved by Georgia on August 2, 1996 to be effective June 10, 1996.

On February 12, 1998, all outstanding stock of the Omni Group was acquired by The Hartford Financial Services Group, Inc.

On November 30, 2006, Omni Insurance Group, Inc. was acquired by American Independent Companies, Inc., a subsidiary of Independent Insurance Investments, Inc.

EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of the Omni Indemnity Company. The examiners found the following areas of concern:

Claims Closed Without Payment

- The examiners found three instances where the Company failed respond to a claimant within 10 calendar days.
- The examiners found two instance where the Company failed to complete the investigation within 30 days when it reasonably could have been done.
- The examiners found one instance where 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 where the Company failed to disclose pertinent collision coverage and an instance where the Company failed to disclose uninsured motorist coverage to the insureds.
- The examiners found one instance where the Company failed to provide the insured a written letter of denial.
- The examiners found two instances where the Company failed to implement reasonable standards to investigate a claim by failing to order a police report.
- The examiners found four instances where the Company failed to document the files showing their handling and disposition of the claim.

Total Loss Claims Paid

- The examiners found four instances where the Company failed to respond to a claimant within 10 calendar days.
- The examiners found two instances where the Company failed to complete the investigation within 30 days.
- The examiners found one instance where the Company failed to provide the insured a written letter of denial.
- The examiners found 44 instances where the Company failed to implement reasonable standards for the settlement of claims arising under its policies creating both overpayments and underpayments.
- The examiners found five instances where the Company failed to retain documents and correspondence in the claim file necessary to clearly show the inception, handling, and disposition of the claim.

Non-Active Policies With Tow , Rental and NSD Coverage

- The examiners found one instance where the Company failed to maintain records to determine the basis of the rating as there was no application in the file.

- The examiners found two instances where the Company failed to correctly rate the policies as the Uninsured Motorist Coverage and Comprehensive Coverages were surcharged resulting in premium over charges.

Non-Active Policies with NSD Coverage

- The examiners found three instances where the Company failed to correctly rate the policies as the Uninsured Motorist Coverage and Comprehensive Coverages were surcharged resulting in premium over charges.
- The examiners found three instances where the Company used non-chargeable accidents to place the policies in a higher tier resulting in a higher rate modification.

Active Policies with NSD Coverage

- The examiners found three instances where the Company failed to correctly rate the policies as the Uninsured Motorist Coverage and Comprehensive Coverages were surcharged resulting in premium over charges.

EXAMINATION FINDINGS

I. 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 July 1, 2014, through June 30, 2017.

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, investigate the claim, and provide payment or a written denial.

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.

Missouri statutes also 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.

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

A. Claims Closed Without Payment

1. Claims Time Studies

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

a. Acknowledgment

Field Size:	73
Sample Size:	73
Type of Sample:	Census
Number of Errors:	3
Error Ratio:	4.1%
Within DIFP Guidelines:	Yes

The examiners discovered the following concerns during their review.

1. In three instances the Company failed to respond to the claimant within 10 calendar days.

Claim #
x5493
x2699
x8421

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

b. Investigation

Field Size: 73
Sample Size: 73
Type of Sample: Census
Number of Errors: 3
Error Ratio: 4.1%
Within DIFP Guidelines: Yes

The examiners discovered the following three instances during their review.

1. The examiners found in the following two instances where the Company failed to complete the investigation of the claim within 30 calendar days when it could reasonably have been done.

Claim #
x5493
x2909

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

2. The examiners found in one instance where the Company failed after 45 days of the initial notification of the claim to send the insured a letter of explanation in writing, explaining why the claim remained open.

Claim #
x3505

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

c. Determination

Field Size: 73
Sample Size: 73
Type of Sample: Census
Number of Errors: 0

The examiners found 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 claims closed without payment during the examination period.

Effectuate Prompt, Fair and Equitable Settlements

Field Size:	73
Sample Size:	73
Type of Sample:	Census
Number of Errors:	5
Error Ratio:	6.8%
Within DIFP Guidelines:	Yes

The examiners discovered the following five instances during their review.

1. The examiners found two instances where the Company failed to disclose coverage to its insureds. Collision coverage was not disclosed in claim number x0856 and Uninsured Motorist coverage was not disclosed in claim number x7840 resulting in undetermined claim underpayments.

Claim #
x0856
x7840

Reference: §375.1007(1) RSMo and 20 CSR 100- 1.020(1)(A)

2. The examiners found one instance where the Company failed to provide the insured with a written denial letter. The denial letter was also required to give a specific reference to a policy provision, condition or exclusion.

Claim #
x3505

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

3. The examiners found two instances where the Company failed to implement reasonable standards for the investigation of the claim. The Company failed to order and document the file with a copy of the police report showing the drivers, passengers, injuries, witnesses, and details of the accident.

Claim #
x3801
x7502

Reference: §375.1007(3) RSMo

3. Unfair Claims Practices

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

Field Size:	73
Sample Size:	73
Type of Sample:	Census
Number of Errors:	4
Error Ratio:	5.5%
Within DIFP Guidelines:	Yes

The examiners found the following four instances.

1. The examiners found that the Company failed to retain documents and correspondence in the claim file necessary to clearly show the inception, handling, and disposition of the claims. In claim number x3617, the file notes and documents failed to show any confirmation that the adverse carrier handled the claim and reimbursed the collision damage or injuries that might have occurred. In claim number x0696, no determination could be made explaining why the claimant's vehicle was not estimated or any reimbursement made for the property damage to the car. In claim number x7502, the Company received a subrogation demand but no determination could be made if it was paid or if the third party claimant was reimbursed for the collision deductible. The Company reopened and paid the claim in the amount of \$932.27 after receiving the criticism from the examiners. In claim number x6716, the examiners were unable to determine the final disposition. The vehicle was struck while parked and the file notes indicated there was a question of coverage concerning the insured's vehicle. No collision coverage denial letter was in the file. The final outcome was not documented. The Company re-opened the claim and is currently investigating.

Claim #
x3617
x0696

x7502
x6716

Reference: §375.1007(3) & (4) RSMo and 20 CSR 100-8.040(2)

B. NSD Claims Paid

1. Claims Time Studies

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

a. Acknowledgment

Field Size:	76
Sample Size:	76
Type of Sample:	Census
Number of Errors:	0

The examiners discovered no issues or concerns.

b. Investigation

Field Size:	76
Sample Size:	76
Type of Sample:	Census
Number of Errors:	0

The examiners discovered no issues or concerns.

c. Determination

Field Size:	76
Sample Size:	76
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 NSD claims paid and closed during the examination period.

Field Size:	76
Sample Size:	76

Type of Sample: Census
Number of Errors: 0

The examiners discovered no issues or concerns.

3. Unfair Claims Practices

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

Field Size: 76
Sample Size: 76
Type of Sample: Census
Number of Errors: 0

The examiners discovered no issues or concerns.

C. Total Losses Claims Paid

1. Claims Time Studies

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

a. Acknowledgment

Field Size: 82
Sample Size: 82
Type of Sample: Census
Number of Errors: 4
Error Ratio: 4.9%
Within DIFP Guidelines: Yes

The examiners discovered the following four instances during their review.

1. The Company failed to respond to the claimant within 10 calendar days.

Claim #
x7295
x4228
x1756
x6820

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

b. Investigation

Field Size: 82
Sample Size: 82
Type of Sample: Census
Number of Errors: 2
Error Ratio: 2.4%
Within DIFP Guidelines: Yes

The examiners discovered the following two instances during their review.

1. The Company failed to complete the investigation of the claim within 30 calendar days when it reasonably could have in the following two instances.

Claim #	Claim #
x1943	x6820

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

c. Determination

Field Size: 82
Sample Size: 82
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 total losses claims paid and closed during the examination period.

Effectuate Prompt, Fair and Equitable Settlements

Field Size: 82
Sample Size: 82
Type of Sample: Census
Number of Errors: 45
Error Ratio: 54.9%
Within DIFP Guidelines: No

The examiners discovered the following 45 instances during their review.

1. The examiners found one instance where the Company failed to provide the insured with a written denial letter. The denial letter was also required to give a specific reference to a policy provision, condition or exclusion.

Claim #
x4592

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

2. The examiners found in the following 44 instances where the Company failed to implement reasonable standards for the settlement of claims arising under its policies for the reasons given alongside each instance.

Claim #	Explanation	OPymt	UnPymnt	Int	Total	Paid Y/N
x0627	Claim Overpaid-paid twice for sales tax	\$598.86				
x3950	Failure to Pay Sales Tax on TL		\$643.45	\$277.97	\$921.42	Y
x4561	Paid sales tax and provided a ST Aff	\$670.10				
x4340	Incorrect ACV Value		\$20.70			N
x1943	No Police Report obtained-insured stated they had contacted the police for the hit and run claim- co failed to obtain a copy		\$15			N
x2138	Failed to obtain a Police Report to verify the driver and details of the accident					
x4592	Co paid Compar Negl Subro but did not subro @ OC's for their compar negl		\$250	\$64.59	\$314.59	Y
x0246	Co paid Compar Negl Subro but did not subro @ OC's for their compar negl		\$375	\$146.79	\$521.79	Y
x4228	Incorrect TL settlement-the deductible amt was added to the ACV value	\$420.04				

Claim #	Explanation	OPymt	UnPymnt	Int	Total	Paid Y/N
x7981	Paid sales tax and provided a ST Aff	\$326.41				
x3474	Incorrect TL settlement- sales tax was added to the CCC valuation in error	\$186.43				
x6918	Named Insured notified by towing co that claimant had collided with IV. Co failed to contact towing co for Claimant info-failed to investigate subro potential for claim and or deductible	Undetermined \$12,032.35 Collision Paid \$500 Collision Deductible Salvage recovery \$2,894 \$9,638.35 In question				
x4015	Co failed to obtain claimant info and determine subro potential					
xx4619	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation.		\$46.72			Y
xx4936	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$44.39			Y
x3950	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$92.26			Y
x9357	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$51.44			Y

Claim #	Explanation	OPymt	UnPymnt	Int	Total	Paid Y/N
x3269	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$77.52			Y
x4781	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$104.35			Y
x5411	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$15.59			Y
x0246	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$68.76			Y
x4228	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation	\$65.99				
x4762	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$11.93			Y
x6996	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$104.61			Y
x1943	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation	\$16.72				
x3873	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$2.81			Y

Claim #	Explanation	OPymt	UnPymnt	Int	Total	Paid Y/N
x5819	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$25.50			Y
x7981	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$19.52			Y
x0966	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation	\$190.12				
x1601	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation	\$53.65				
x7940	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$53.03			Y
x3474	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation	\$13.26				
x5140	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$36.51			Y
x9679	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$64.81			Y
x1756	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$40.38			Y

Claim #	Explanation	OPymt	UnPymnt	Int	Total	Paid Y/N
9x873	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$12.06			Y
x6918	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation	\$236.42				
x8261	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation	\$76.70				
x0656	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation		\$29.98			Y
x3995	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation	\$8.38				
x5715	Co failed to implement reasonable standards for the settlement of a claim. Incorrect sales tax calculation	\$49.13				
xx4619	Co failed to provide a copy of the PR					
x7981	Co failed to provide a copy of the PR					
x5083	Pd sales tax and provide a ST aff	\$745.84				

Reference: §375.1005 and §375.1007(3)

3. Unfair Claims Practices

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

Field Size: 82
 Sample Size: 82
 Type of Sample: Census
 Number of Errors: 5
 Error Ratio: 6.1%
 Within DIFP Guidelines: Yes

1. The examiners found five instances where the Company failed to retain documents and correspondence in the claim file necessary to clearly show the inception, handling, and disposition of the claim. In claim number x4228 the Company failed to document that the subrogation amount was paid and that the third party claimant was paid for the collision deductible. In claim numbers x1943 and x5083, the Company failed to document why \$15 was deducted from each of the insured's total loss settlements. In claim number x2138, notes in the file documented that there may have been an excluded driver. The examiners were unable to determine if coverage was confirmed showing why the insured's damage was paid. In claim number x4592, the examiners were unable to determine why the liability assessment was changed. The initial assessment was 25% insured responsibility and 75% combined responsibility for the two claimants. This was changed to 50% responsibility for the insured and 50 % for the two claimants (25% for each) with no explanation.

Claim #
x4228
x1943
x5083
x2138
x4592

Reference: §375.1007(3)&(4) RSMo and 20 CSR 100-8.040(2)

II. UNDERWRITING AND RATING PRACTICES

This section of the report is designed to provide a review of the Company's underwriting and rating practices. These practices included the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage. Examiners reviewed how the Company handled new and renewal policies to ensure that the Company underwrote and rated risks according to its own underwriting guidelines, filed rates, and to Missouri statutes and regulations.

Because of the time and cost involved in reviewing each policy/underwriting file, the examiners utilized sampling techniques in conducting compliance testing. A policy/underwriting file is reviewed 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's underwriting and rating manuals for the lines 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 used a census or 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 found no issues or concerns.

B. Non-Active Policies With Towing, Rental and NSD Coverage

This section of the report is designed to provide a review of the Company's underwriting and rating practices. Examiners reviewed how the Company handled non-active policies with towing, rental and NSD coverage to ensure that it was performing these practices according to its own company guidelines, Missouri statutes, and DIFP regulations.

The examiners requested a data download of all non-active policies that provided towing, rental reimbursement and NSD coverage. Policies were then randomly selected for review. When the number of policies in the population was small, the examiners selected each file, or a census, for review. A census of 20 files were reviewed.

The following are the results of the reviews:

Field Size:	20
Sample Size:	20
Type of Sample:	Census
Number of Errors:	3
Error Ratio:	15.0%
Within DIFP Guidelines:	No

The examiners discovered the following three instances.

1. The Company failed to maintain records used in determining the basis for the rating of the policy. No application was provided to the examiners. Without a copy of the application, the examiners were unable to determine if the coverage requested by the applicant was correct as shown on the policy declarations and if the premium was rated correctly.

Policy #
xxx9206

Reference: §374.205.2(2) RSMo and 20 CSR 100-8.040(3)(A)

2. The Company failed to rate the following two policies correctly resulting in two premium over charges. The Uninsured Motorist and Comprehensive coverages were calculated by using surcharges to the rates due to the insureds driving records contrary to Missouri law.

Policy #	Premium Over Charge	Interest	Total	Paid Y/N
xxx0344	\$76.02	\$21.39	\$97.41	Y
xxx9206	\$6.02	\$1.56	\$7.58	Y

Reference: §379.470 and 20 CSR 500-2.700

C. Non-Active Policies With NSD Coverage

The examiners requested a sample from the total population of all Non-Active Private Passenger Auto policies written in the state of Missouri, which provided NSD coverage during the examination period.

The following are the results of the reviews:

Field Size: 341
 Sample Size: 84
 Type of Sample: Random
 Number of Errors: 6
 Error Ratio: 7.1%
 Within DIFP Guidelines: No

The examiners discovered the following six instances.

1. The Company failed to rate the following three policies correctly resulting in three premium over charges. The Uninsured Motorist and Comprehensive coverages were calculated by using surcharges to the rates due to the insureds driving records contrary to Missouri law.

Policy #	Premium Over Charge	Interest	Total	Paid Y/N
xxx6161	\$4.50	\$1.25	\$5.75	Y
xxx4159	\$6.18	\$1.53	\$7.71	Y
xxx3550	\$6.81	\$1.62	\$8.43	Y

Reference: §379.470 and 20 CSR 500-2.700

2. The Company failed to rate the following three policies correctly. The Company used the insureds "non-chargeable" accidents to place them in a higher tier. This caused a higher rate modification contrary to Missouri law.

Policy #	Premium Over Charge	Interest	Total	Paid Y/N
xxx4159	\$218.40			N
xxx3550	\$154.23			N
xxx0731	\$145.84			N

Reference: §379.470 RSMo and 20 CSR 500-2.600(1)

D. Active Policies With NSD Coverage

The examiners requested a sample from the total population of all Active Private Passenger Auto policies with NSD coverage written in the state of Missouri, during the examination period.

The following are the results of the reviews:

Field Size:	18
Sample Size:	18
Type of Sample:	Census
Number of Errors:	2
Error Ratio:	11.1%
Within DIFP Guidelines:	No

1. The Company failed to rate the following two policies correctly resulting in two premium over charges. The Uninsured Motorist and Comprehensive coverages were calculated by using surcharges to the rates due to the insureds driving records contrary to Missouri law.

Policy #	Premium Over Charge	Interest	Total	Paid Y/N
xxx3336	\$74.11	\$12.83	\$86.94	Y
xxx6780	\$101.10	\$11.77	\$112.87	Y

Reference: §379.470 and 20 CSR 500-2.700

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 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 during the scope of the examination. 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 July 1, 2014, to June 30, 2017. The registry contained a total of 10 complaints. The examiners reviewed all 10.

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 100-8.040(3)(D).

The examiners found no issues or concerns.

B. Complaints Sent Directly to the Company

The examiners requested copies of the Company's complaint files regarding complaints that were sent directly to the Company. The Company explained that there were not any received during the examination period. The examiners found no evidence to the contrary.

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 examiners discovered no issues or concerns.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received w/in time limit, including any extensions	42	100.00%
Received w/in time limit, including any extensions	0	0.00%
No Response	0	0.00%
Total	42	100.00%

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, including any extensions	4	100.00%
Received w/in time limit, including any extensions	0	0.00%
No Response	0	0.00%
Total	4	100.00%

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 Omni Indemnity Company (NAIC #34940), Examination Number 1712-82-TGT. This examination was conducted by Scott B. Pendleton, Dale Hobart, Dennis Foley, and Jon Meyer. The findings in the Final report were extracted from the Market Conduct Examiner's Draft Report, dated September 10, 2019. 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.

1/21/2020

Date

Stewart Freilich

Stewart Freilich

Chief Market Conduct Examiner