STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

In re:	)	
	)	
Chubb National Insurance Company (NAIC #10052)	)	
Great Northern Insurance Company (NAIC #20303)	)	Examination No. 0904-19-TGT
Vigilant Insurance Company (NAIC #20397)	)	
Pacific Indemnity Insurance Company (NAIC #20346)	)	

ORDER OF THE DIRECTOR

NOW, on this 19th day of July, 2012, Director John M. Huff, after consideration and review of the market conduct examination reports of Chubb National Insurance Company (NAIC #10052) (hereafter referred to as "Chubb National"), Great Northern Insurance Company (NAIC #20303) (hereafter referred to as "Great Northern"), Vigilant Insurance Company (NAIC #20397) (hereafter referred to as "Vigilant"), and Pacific Indemnity Insurance Company (NAIC #20346) (hereafter referred to as "Pacific"), report number 0904-19-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3 (3) (a), and the Stipulations of Settlement ("Stipulations"), does hereby adopt such report as filed. After consideration and review of the Stipulations, reports, 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).

This order, issued pursuant to §§374.205.3(4) and 374.280, and §374.046.15. RSMo (Cum. Supp. 2011), is in the public interest.

IT IS THEREFORE ORDERED that Chubb National, Great Northern, Vigilant, Pacific and the

Division of Insurance Market Regulation having agreed to the Stipulations, the Director does hereby approve and agree to the Stipulations.

IT IS FURTHER ORDERED that Chubb National, Great Northern, Vigilant and Pacific shall not engage in any of the violations of law and regulations set forth in the Stipulations and shall implement procedures to place the Company in full compliance with the requirements in the Stipulations and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

IT IS FURTHER ORDERED that Chubb National shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $68,000 payable to the Missouri State School Fund

IT IS FURTHER ORDERED that Great Northern shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $2,000 payable to the Missouri State School Fund

IT IS FURTHER ORDERED that Vigilant shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $4,000 payable to the Missouri State School Fund

IT IS FURTHER ORDERED that Pacific shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $7,000 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 19th day of July, 2012.

John M. Huff
Director

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RECEIVED
JUL 13 2012
DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

TO: Vigilant Insurance Co.
15 Mountain View Road
Warren, NJ 07061

RE: Vigilant Insurance Co. (NAIC #20397)
Missouri Market Conduct Examination #0904-19-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 Vigilant Insurance Co. (NAIC #20397), (hereafter referred to as "Vigilant"), 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, Vigilant 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 Vigilant and prepared report number 0904-19-TGT; and

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

1. In three instances, Vigilant used unfairly discriminatory rates by applying a discount under its special rates program for commercial multi-peril accounts with a total insured value of 15 million dollars or more when the total insured value was actually less than 15 million dollars. Vigilant's use of

these rates violated §379.470[1];

2. In five instances, Vigilant failed to provide copies of written denial letters to claimants in violation of Section 375.1007(12).

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

1. While not admitting any violation, Vigilant agrees that within 120 days of the date of the Order closing this exam it will no longer employ in Missouri its special rates rule for commercial multi-peril risks with total insured values exceeding $15 million.

2. Vigilant agrees that it will file with the Director actuarially justified rating factors for commercial multi-peril risks in Missouri with a total value exceeding $15 million within 120 days following the date of the Order closing this exam and that such rates shall become effective upon the date of filing.

3. Vigilant agrees that any surcharge included in Missouri homeowners policies shall be disclosed to the insured on either the declarations page of the policy or in a separate standalone document to be sent to the policyholder at the time of purchase or renewal. A copy of any standalone document shall be maintained in the Company's underwriting files.

WHEREAS, Vigilant, 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, Vigilant hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0904-19-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of $4,000.

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 Vigilant to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Vigilant does hereby voluntarily and knowingly

---

1 All references, unless otherwise noted, are to Missouri Revised Statutes 2000, as amended.

waive all rights to any hearing, does consent to undertake the remedial actions set forth in this Stipulation, does consent to the ORDER of the Director and does surrender and forfeit the sum of $4,000, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

The signatory below certifies that he is authorized to enter into this Stipulation on behalf of Vigilant Insurance Company.

DATED: 7/11/2012

President
Vigilant Insurance Company

CHUBB

CHUBB GROUP OF INSURANCE COMPANIES

15 Mountain View Road, P.O. Box 1615, Warren, NJ 07061-1615

August 19, 2010
VIA UPS

Carolyn H. Kerr, Senior Counsel
State of Missouri Department of Insurance
Division of Insurance Market Regulation
301 West High Street, Suite 530
Jefferson City, MO 65102

Re: Market Conduct Examination #0904-19-TGT
Vigilant Insurance Company (NAIC #20397)

Dear Ms. Kerr:

We have received and reviewed the examiners' market conduct report sent to the Office of the President, Chubb Insurance Group, on July 20, 2010. We accept the report as written, with the following exceptions:

I. **UNDERWRITING AND RATING PRACTICES**

A. Forms and Filings

There were no issues discovered in this review.

B. Underwriting and Rating

1. Personal Auto Underwriting (New and Renewal)
There were no issues discovered in this review.

2. Homeowners Active Underwriting and Rating (New and Renewal)
There were no issues discovered in this review.

3. Commercial Underwriting (Multi-Peril)

Finding: The Company determined the following policy was eligible for the Special Rate Program which states "Accounts with total insured values of $15 million or more are subject to special judgment and rating is approved by the Company." This language is filed with the DIFP. The policy did not meet the requirements. The policy has $9,864,000 total insured value. Therefore, the policy was undercharged due to the Company applying the Special Rate Program for the insured. This caused an undercharge to the Company in the amount of $505. Policy 35861291.

***Company response**: We agree with the finding on this policy. This policy did not qualify for the Special Rate*

Program. The current term was re-rated during the examination and the additional premium was waived. The policy will be rated correctly upon the next renewal.

Finding: The Company determined the following policies were eligible for the Special Rate Program. However, the examiners could not determine the miscellaneous factors (89, 45, 11) for the personal property at the building #1, location #1 and building #1 location #8 and (27, 20, 99) for group I, II and AOP/AOC perils regarding policy 35284699.

For policy 35290738, the examiners could not determine the miscellaneous factor (33) for building #1 location #1 and the miscellaneous factor (13) for personal property at building #1 location #1 and the miscellaneous factor (94) for personal property building #1 location #2 for all group I perils with the information provided in this file.

The examiners requested the Company to provide step by step premium calculations for all premium coverages with the appropriate adjustment factors that apply and any other exposures that are considered to determine the premium. The Company's response back to the examiners did not address these issues, and it did not provide step by step rate calculations that included the miscellaneous factors greater than 1.

***Company response**: For the rating of policies 35284699 and 35290738, please review the following explanations along with information contained in EXHIBITS A and B.*

Policy 35284699

*The miscellaneous factors (89.00, 45.00, 11.00 for personal property at location #1, building #1 and 27.00, 20.00 and 99.00 at location #8 building 1) are incorrectly displayed on the rating worksheets due to a systems problem when using the Special Rate Program. This issue was previously identified and a system fix was implemented in January 2010, after the effective date of this policy. These miscellaneous factors were **not** used in the development of the premium on this policy. Please see EXHIBIT A for the rating worksheets, before the application of the Special Rate Program, which displays the displays the miscellaneous factor of .90. The underwriter subsequently applied the Special Rate Program based upon a qualifying Total Insured Value of $21,262,254 for this account and as a result an unmodified final rate of .040 for group I, .038 for group II and .032 for AOC was applied to personal property at building #1, location #1 and .059 for group I, .047 for group II and .067 for AOC was applied to personal property at building #1, location #8.*

Policy 35290738

Upon further review it was determined that this policy was not eligible for the Special Rate Program because the total insured value was less than $15 million. We recalculated all premium coverages for the 2009 term with the appropriate rates and factors, and this resulted in an additional premium of $4,688, which will be waived. The policy will be correctly rated upon renewal.

Finding: The Company determined the following policy was eligible for the Special Rate Program which states "Accounts with total insured values of $15 million or more are subject to special judgment and rating is approved by the Company." This language is filed with the DIFP. However, the policy did not meet the requirements. The policy has $995,125 total insured value. Therefore, the policy was undercharged due to the Company applying the Special Rate Program for the insured. The Company undercharged this policy for year 2009 in the amount of $1196 and policy year 2010 in the amount of $1106. Policy 35861128.

Company response: *We agree with the finding on this policy. This policy did not qualify for the Special Rate Program. The prior and current terms were re-rated during the examination and the additional premiums were waived. The policy will be correctly rated upon renewal.*

C. **Personal Auto and Homeowners Terminations**

There were no issues discovered in this review.

D. **Practices Not in the Best Interest of Consumers**

There were no issues discovered in this review.

II. CLAIMS PRACTICES

A. **Claim Time Studies**

There were no issues discovered in this review.

B. **Unfair Settlement and General Practices**

1. **Private Passenger Auto Comprehensive Paid Claims**
There were no issues discovered in this review.

2. **Private Passenger Auto Collision Paid Claims**
There were no issues discovered in this review.

3. **Private Passenger Auto Total Loss Paid Claims**
There were no issues discovered in this review.

4. **Private Passenger Auto Subrogation Paid Claims**
There were no issues discovered in this review.

5. **Homeowners Paid Claims**

Finding: The Company failed to provide a copy of the written denial letter in file for the following claim numbers:

047509054287	040509107017	040509109505
047509034566	040509055222	

The Company shall ensure that a written denial letter was sent to the insured with specific reference to policy provisions, conditions, and exclusions.

Company response: *We agree that we failed to provide a written denial letter to the insured on the above cited claims. Going forward, we will ensure that a written denial letter is sent to the insured with specific reference to policy provisions, conditions and exclusions.*

6. **Commercial Lines Paid Claims**
There were no issues discovered in this review.

7. **Private Passenger Auto Non-Paid Claims**
There were no issues discovered in this review.

8. **Homeowners Non-Paid Claims**
There were no issues discovered in this review.

9. **Commercial Non-Paid Claims**
There were no issues discovered in this review.

C. **Practices Not in the Best Interest of Consumers**
There were no issues discovered in this review.

III. **COMPLAINTS**
There were no issues discovered in this review.

We would like to thank the Insurance Market Regulation Division and its representatives for the manner in which this examination was conducted and for the courtesy and cooperation extended to our staff.

Sincerely,
Chubb & Son
a division of Federal Insurance Company
Manager

By: Amelia C. Lynch

Amelia C. Lynch
Senior Vice President & Insurance Compliance Officer

Cc: D. Fiorot
M. Edgerley

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

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

Vigilant Insurance Company
NAIC # 20397

MISSOURI EXAMINATION # 0904-19-TGT

NAIC EXAM TRACKING SYSTEM # M0268-M96

July 16 2012

Home Office
15 Mountain View Road
Warren, New Jersey, 07059

TABLE OF CONTENTS

FOREWORD

This is a targeted market conduct examination report of the Vigilant Insurance Company, (NAIC Code # 20397). This examination was conducted at the Company's branch office at 8000 Maryland Avenue, Suite 1500, St. Louis, Missouri, 63105.

The Company declined a desk audit offer to be done in the office of the DIFP in Jefferson City, Missouri, even if the expenses of the examination would be much cheaper for the Company.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- "Company" refers to Vigilant Insurance Company;
- "CSR" refers to the Missouri Code of State Regulation;
- "DIFP" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Director" refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "NAIC" refers to the National Association of Insurance Commissioners; and
- "RSMo" refers to the Revised Statutes of Missouri.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2009, through December 31, 2009, unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination was a targeted examination involving the following business functions and lines of business: Company Complaints, Personal Automobile Underwriting, Personal Automobile Terminations, Personal Automobile Paid and Non-Paid Claims, Homeowners Underwriting, Homeowners Terminations, and Homeowners Paid and Non Paid Claims.

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized, however, for reviews not applying the general business practice standard.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

The Chubb Group traces its origins to the partnership of Chubb & Son (an underwriting management organization founded in New York in 1882) and its successor Chubb & Son inc. (incorporated under the laws of New York State in 1959) and since 1967 a wholly owned subsidiary of the Chubb Corporation. The corporation was listed on the New York Stock Exchange in 1984, and ranks among the top publicly traded insurance organizations based on revenues in the United States.

The principle property and casualty insurance company in the group is Federal Insurance Company, a successor to the New York Marine Underwriters, which was incorporated in 1901. Federal Insurance Company is licensed in all 50 states.

Companion domestic property and casualty companies include:

- Vigilant Insurance Company (founded in 1939);
- The Great Northern Insurance Company (acquired in 1960);
- The Pacific Indemnity Company and its 2 subsidiaries, Northwestern Pacific Indemnity Company and Texas Pacific Indemnity Company (acquired in 1960);
- Chubb Lloyds Insurance Company of Texas (established in 1973);
- Chubb Custom Insurance Company (established in 1980);
- Chubb Insurance Company of New Jersey (established in 1982);
- Chubb National Insurance Company (established in 1993);
- Chubb Indemnity Insurance Company (established in 1994); and
- Executive Risk Indemnity Inc. and its subsidiary Executive Risk Specialty Insurance Company (acquired in 1999).

Originally Chubb & Son Inc. managed the property and casualty insurance companies within the Chubb Group. In 1998 the Federal Insurance Company replaced Chubb & Son, Inc. as the manager of the member insurers of the group.

The Group is engaged in full multiple line operations, including property, liability, marine, fidelity, surety and accident. Members of the group subscribe to virtually all

rating and advisory bureaus. Multiple companies afford the ability to provide specialized coverages and rates to our insureds.

The Group employs some 11,600 people throughout North America, Europe, South America and the Pacific Rim. It is represented by more than 8500 independent agents and brokers worldwide. In addition to the headquarters in NJ, the Group operates from some 120 offices in 28 countries. There are two centralized claim service centers in the US, as well as claim representation in approximately 50 US branches. There are also claim offices in most overseas branches.

EXECUTIVE SUMMARY

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

- The examiners found three violations in the commercial multi-peril underwriting.
- The examiners found five violations in the homeowners paid claims.

The 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.

EXAMINATION FINDINGS

I. UNDERWRITING AND RATING PRACTICES

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

Because of the time and cost involved in reviewing each policy/underwriting file, the examiners utilize sampling techniques in conducting compliance testing. A policy/underwriting file is determined in accordance with 20 CSR 100-8.040 and the NAIC Market Regulation Handbook. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.930 – 375.948 and §375.445) and compared with the NAIC benchmark error rate of ten percent (10%). Error rates in excess of the NAIC benchmark error rate are presumed to indicate a general business practice contrary to the law. Errors indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

The examiners requested the Company's underwriting and rating manuals for the line of business under review. This included all rates, guidelines, and rules that were in effect on the first day of the examination period and at any point during that period to ensure that the examiners could properly rate each policy reviewed.

The examiners also reviewed the Company's procedures, rules, and forms filed by or on behalf of the Company with the DIFP. The examiners systematically selected the policies for review from a listing furnished by the Company.

The examiners also requested a written description of significant underwriting and rating changes that occurred during the examination period for underwriting files that were maintained in an electronic format.

An error can include, but is not limited to, any miscalculation of the premium based on the information in the file, an improper acceptance or rejection of an application, the misapplication of the company's underwriting guidelines, incomplete file information preventing the examiners from readily ascertaining the company's rating and underwriting practices, and any other activity indicating a failure to comply with Missouri statutes and regulations.

A. Forms and Filings

The examiners reviewed the Company's policy and contract forms to determine its compliance with filing, approval, and content requirements to ensure that the

contract language is not ambiguous or misleading and is adequate to protect those insured. The examiners found no general business practice issues in this review.

B Underwriting and Rating

The examiners reviewed applications for coverage that were issued, modified, or declined by the Company to determine the accuracy of rating and adherence to prescribed and acceptable underwriting criteria.

1. Personal Auto Underwriting (New and Renewal)

Field Size:	276
Sample Size:	50
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0%

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

2. Homeowners Active Underwriting and Rating (New and Renewal)

Field Size:	875
Sample Size:	50
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0%

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

3. Commercial Underwriting (Multi-Peril)

Field Size:	44
Sample Size:	44
Type of Sample:	Census
Number of Errors:	3
Error Ratio:	7%

The Company determined the following policies were eligible for the Special Rate Program which states: "Accounts with total insured values of $15 million or more are subject to special judgment and rating is approved by the Company". This language is filed with DIFP. The policy did not meet the requirements. The policies had a total insured value under $15 million. Therefore, the rates applied were unfairly discriminatory.

Policy Number: 35861291 35290738

Reference: §§ 379.470, RSMo., 20 CSR 500-4.100(7)(D)1, and the Company's Rule and Rating Manual Section-II 61 AND XVIII 61.

The Company determined that the following policy was eligible for the Special Rate Program, which states: "Accounts with total insured values of $15 million or more are subject to special judgment and rating is to be approved by the Company" this language is filed with DIFP. However, the policy did not meet the requirements. The policy has $995,125 total insured value. Therefore, the policy was undercharged due to the Company applying the Special Rate Program for the insured. The Company undercharged this policy for year 2009 in the amount of $1,196 and policy year 2010 in the amount of $1,106.

Policy Number: 35861128

Reference: §§ 379.470, RSMo., 20 CSR 500-4.100(7)(D)1, and the Company's Rule and Rating Manual Section-II 61 AND XVIII 61.

C. Personal Auto and Homeowners Terminations

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

1. Personal Auto Terminations

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0%

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

2. Homeowners Terminations

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0%

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

D. Practices Not in the Best Interest of Consumers

The examiners also looked for items that were not in the best interest of consumers. Not only could these practices be harmful to the insured, they may expose the company to potential liability.

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

II. CLAIMS PRACTICES

This section of the report is designed to provide a review of the Company's claims handling practices. Examiners reviewed how the Company handled claims to determine the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners reviewed a statistical sampling of the claims processed. The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. The review consisted of Missouri claims selected from a listing furnished by the Company with a date of closing from January 1, 2009, through December 31, 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) and compared with the NAIC benchmark error rate of seven percent (7%). Error rates in excess of the NAIC benchmark error rate[s] are presumed to indicate a general business practice contrary to the law. Errors indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

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

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

The examiners reviewed the claim files for timeliness. In determining timeliness, examiners looked at the duration of time the Company used to acknowledge the receipt of the claim, the time for investigation of the claim, and the time to make payment or provide a written denial.

Missouri statutes require the Company to disclose to first-party claimants all pertinent benefits, coverage or other provisions of an insurance policy under which a claim is presented. Claim denials must be given to the claimant in writing, and the Company must maintain a copy in its claim files.

A. Claims Time Studies

To test for compliance with timeliness standards, the examiners reviewed claim records and calculated the amount of time taken by the Company for claims processing. They reviewed the Company's claims processing practices relating to (1) the acknowledgement of receipt of notification of claims; (2) the investigation of claims; and (3) the payment of claims or the providing of an explanation for the denial of claims.

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

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

The examiners discovered no issues or concerns.

B. Unfair Settlement and General Handling Practices

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

1. Private Passenger Auto Comprehensive Paid Claims

Field Size:	5
Sample Size:	5
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

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

2. Private Passenger Auto Collision Paid Claims

Field Size:	18
Sample Size:	18
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

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

3. Private Passenger Auto Total Loss Paid Claims

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

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

4. Private Passenger Auto Subrogation Paid Claims

Field Size:	5
Sample Size:	5
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

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

5. Homeowners Paid Claims

Field Size:	50
Sample Size:	50
Type of Sample:	Census
Errors:	5
Error Ratio:	11%

The loss was interior water damage due to a plumbing leak and a roof leak. On 12-17-09, the adjuster verbally denied long term damage or repair to the plumbing or roof leak but agreed to pay for ensuing damages. The Company failed to provide a copy of the written denial letter in the file.

The Company shall ensure that a written denial letter was sent to the insured with specific reference to policy provisions, conditions, and exclusion.

Claim Number: 047509054287

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

The loss was interior water damage due to water leaking from roof. The water leak occurred from unmaintained roof flashing. On 11-5-09, the adjuster verbally

denied repair to roof damage because of these maintenance issues. The Company failed to provide a copy of the written denial letter in file.

The Company shall ensure that a written denial letter was sent to the insured with specific reference to policy provisions, conditions, and exclusion.

Claim Number: 040509107017

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

The loss was interior water damage due to water leaking from roof. Inspection of the roof found no storm damage. The water leak possibly occurred around a roof vent needing maintenance. On 11-19-09, the adjuster verbally denied repair to roof damage because of these maintenance issues. The Company failed to provide a copy of the written denial letter in the file.

The Company shall ensure that a written denial letter was sent to the insured with specific reference to the provisions, conditions, and exclusion.

Claim Number: 040509109505

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

The loss was interior water damage due to water leaking down siding from wear and tear and deterioration of the gutter. Inspection of the roof found no storm damage. On 8-20-09, the adjuster verbally denied repair to gutter damage because of these maintenance issues but agreed to pay for ensuing damages. The Company failed to provide a copy of the written denial letter in the file.

The Company shall ensure that a written denial letter was sent to the insured with specific reference to the provisions, conditions, and exclusion.

Claim Number: 047509034566

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

The insured made a claim for hail damage loss to a roof and water damage from backup of water. On 6-1-09, the adjuster verbally informed the insured she was unable to make a claim for water damage as the damage was under the backup deductible and no hail damage to the roof was found. The Company failed tp provide a copy of the written denial letter in file.

The Company shall ensure that a written denial letter was sent to the insured with specific reference to the provisions, conditions, and exclusion.

Claim Number: 040509055222

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

6. **Commercial Lines Paid Claims**

Field Size:	9
Sample Size:	9
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

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

7. **Private Passenger Auto Non-Paid Claims**

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

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

8. **Homeowners Non-Paid Claims**

Field Size:	21
Sample Size:	21
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

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

9. **Commercial Non-Paid Claims**

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Errors:	0
Error Ratio:	0%

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

C. Practices Not in the Best Interest of Consumers

The examiners also looked for items that were not in the best interest of consumers. Not only could these practices be harmful to the insured, they may expose the company to potential claims.

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

III. COMPLAINTS

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

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

The examiners verified the Company's complaint registry, dated January 1, 2007, through December 31, 2009. The registry contained a total of one complaint. They reviewed the one complaint that went through DIFP. There were none that went directly to the Company.

The review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by §375.936(3), RSMo, and 20 CSR 100-8.040.

The examiners discovered no issues or concerns.

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.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received w/in time-limit, incl. any extensions	5	100%
Received outside time-limit, incl. any extensions	0	0 %
No Response	0	0 %
Total	5	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	15	100%
Received outside time-limit, incl. any extensions	0	0%
No Response	0	0%
Total	15	100%

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

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Vigilant Insurance Company (NAIC #20397), Examination Number 0904-19-TGT. This examination was conducted by Gary T. Meyer, Gerald Michitsch, Darren Jordan, and Shelly Herzing. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated June 23, 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.

7/17/2012

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 17th day of July, 2012.

Notary

(Seal)

KIMBERLY LANDERS
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: May 18, 2016
Commission Number: 12558402

My commission expires:

May 18. 2016