

**DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

TO: Millers First Insurance Companies  
111 East Forth St.  
P.O. Box 9006  
Alton, IL 62002-9006

RE: Missouri Market Conduct Examination #0903-15-TGT  
Millers First Insurance Co. (NAIC #14583)  
Millers Classified Insurance Co. (NAIC #40185)

**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 Millers First Insurance Companies (hereinafter "Millers"), 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, Millers 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 Millers First Insurance Co. (NAIC #14583) and Millers Classified Insurance Co. (NAIC #40185) and prepared report number 0903-15-TGT; and

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

PRO. CLERK

APR 23 2010

1. In some instances, Millers utilized promotions that offered a \$5 gas card in exchange for a policy quotation which was not included as part of the insurance contract being sold, thereby violating §375.936(9), RSMo. The Company states it has since stopped offering those promotions.

2. In some instances, Millers accepted applications that included an answer to the question concerning the applicant's prior coverage, being declined, cancelled or non-renewed, in violation of §375.936(11)(f), RSMo, and DIFP Bulletin 94-04.

3. Millers cancelled a policy on one driver but failed to continue coverage through the policy expiration date for the other licensed and insured driver on the policy and failed to inform the eligible driver that he could remain on the policy misrepresented the benefits, advantages, conditions, or terms of the policy, in violation of §§376.936(6)(a) and 379.114, RSMo.

4. In some instances, Millers failed to acknowledge the receipt of a claim notification within 10 working days, failed to accept or deny a claim within 15 working days after it completed its investigation, failed to complete the investigation of claims within 30 days after notification of the claim and failed to notify the claimant in writing within 45 days and every 45 days thereafter as to the reasons it required additional time to complete the claim investigation in six of the claims listed, in violation of §375.1007(2), (3), and (4), RSMo, 20 CSR 100-1.030, and 20 CSR 100-1.050(1)(A), (C), and (4).

5. In some instances, Millers failed to provide the claimant with a written claim denial that explained the reason for the denial in two different files, in violation of §375.1007(2) and (3), RSMo, and 20 CSR 100-1.050.

6. Millers failed to maintain its books, records, documents, and other business records and to provide relevant materials, files, and documentation in such a way to allow the examiners to sufficiently ascertain the claims handling and payment practices of the Company, thereby violating §374.205, RSMo, and 20 CSR 300-2.200 (as amended 20 CSR 100-8.040, eff. 7/30/08).

7. Millers failed to make an appropriate reply to one claimant within 10 working days of receiving the complaint, as required by §375.1007(2), RSMo, and 20 CSR 100-1.030(2).

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

WHEREAS, Millers hereby agrees to file documentation of all remedial actions taken by it to implement compliance with the terms of this Stipulation of Settlement and Voluntary Forfeiture and to assure that the errors noted in the examination report do not recur, including explaining the steps

taken and the results of such actions, with the Director within 45 days of the entry of a final Order closing this examination

WHEREAS, Millers is of the position that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed factual and legal allegations, and that payment of a forfeiture is merely to resolve the disputes and avoid litigation; and

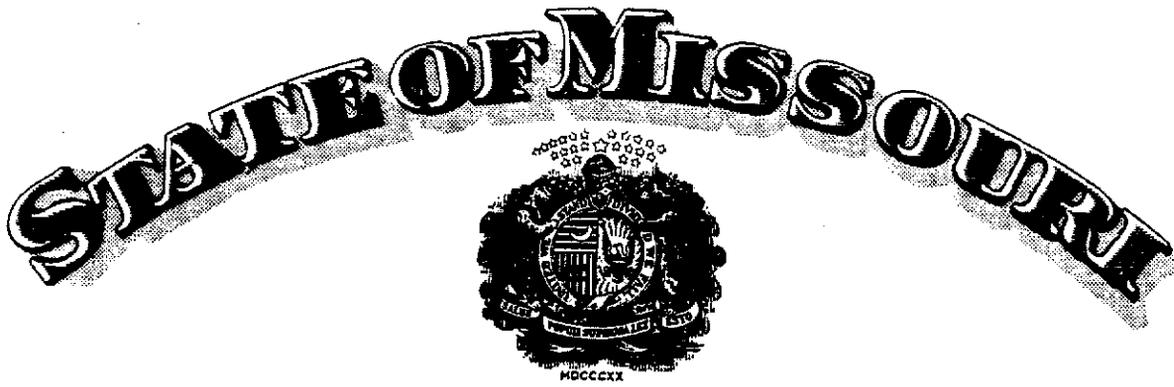
WHEREAS, Millers, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, Millers hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0903-15-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 Millers to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Millers does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director and does surrender and forfeit the sum of \$4,000, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 4/28/10

  
\_\_\_\_\_  
President  
Millers First Insurance Companies



**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

In re:	)	
	)	
Millers First Insurance Companies	)	
(NAIC Group #855)	)	
Including: Millers First Insurance Company	)	Examination No. 0903-15-TGT
(NAIC #14583) and	)	
Millers Classified Insurance Company	)	
(NAIC #40185)	)	

**ORDER OF THE DIRECTOR**

NOW, on this 22<sup>nd</sup> day of JUNE, 2010, Director John M. Huff, after consideration and review of the market conduct examination report of Millers First Insurance Companies (NAIC Group #855), (hereafter referred to as "Millers First"), including Millers First Insurance Company (NAIC #14583) and Millers Classified Insurance Company (NAIC #40185), report numbered 0903-15-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, and the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation") does hereby adopt such report as filed. After consideration and review of the Stipulation, report, relevant workpapers, and any written submissions or rebuttals, the findings and conclusions of such report is deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4), RSMo.

This order, issued pursuant to §§374.205.3(4) and 374.280, RSMo and §374.046.15. RSMo (Cum. Supp. 2009), is in the public interest.

IT IS THEREFORE ORDERED that Millers First and the Division of Insurance Market Regulation have agreed to the Stipulation and the Director does hereby approve and agree to the Stipulation.

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

IT IS FURTHER ORDERED that Millers First 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 SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 22<sup>ND</sup> day of JUNE, 2010.

  
John M. Huff  
Director

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



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

**Millers First Insurance Company**  
**NAIC # 14583 and**  
**Millers Classified Insurance Company**  
**NAIC # 40185**

**MISSOURI EXAMINATION # 0903-15-TGT**

**May 6, 2010**

**Home Office**  
**111 East Fourth Street**  
**PO Box 9006**  
**Alton, IL 62002-9006**

## TABLE OF CONTENTS

<b>FOREWORD.....</b>	<b>3</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>4</b>
<b>COMPANY PROFILE.....</b>	<b>5</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>7</b>
<b>EXAMINATION FINDINGS .....</b>	<b>8</b>
<b>I. SALES AND MARKETING .....</b>	<b>8</b>
<b>A. Licensing of Agents, Agencies, and Brokers.....</b>	<b>8</b>
<b>B. Marketing Practices .....</b>	<b>8</b>
<b>II. UNDERWRITING AND RATING PRACTICES.....</b>	<b>10</b>
<b>A. Forms and Filings.....</b>	<b>10</b>
<b>B. Underwriting and Rating.....</b>	<b>11</b>
<b>C. Cancellations, Non-Renewals, Rescissions, and Declinations .....</b>	<b>12</b>
<b>III. CLAIMS PRACTICES .....</b>	<b>13</b>
<b>A. Claims Time Studies .....</b>	<b>14</b>
<b>B. Unfair Settlement and General Handling Practices.....</b>	<b>17</b>
<b>C. Practices Not in the Best Interest of Consumers .....</b>	<b>18</b>
<b>IV. COMPLAINTS. ....</b>	<b>19</b>
<b>CRITICISMS AND FORMAL REQUESTS TIME STUDY .....</b>	<b>20</b>
<b>A. Criticism Time Study.....</b>	<b>20</b>
<b>B. Formal Request Time Study .....</b>	<b>20</b>
<b>EXAMINATION REPORT SUBMISSION.....</b>	<b>21</b>

## **FOREWORD**

This is a targeted market conduct examination report of Millers First Insurance Company, (NAIC Code # 14583) and Millers Classified Insurance Company (NAIC Code # 40185). This examination was conducted at the Company offices located in Alton, Illinois.

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

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

When used in this report:

- “Company” or “Millers” refers to Millers First Insurance Company and Millers Classified 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, 2008, through December 31, 2008, 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: homeowners underwriting and terminations, dwelling fire underwriting, homeowners claims, dwelling fire claims, and complaints.

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 for underwriting and trade practices is 10%. The NAIC benchmark error rate for claims practices is seven percent (7%). 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.

“Millers First Insurance Company (MFICs) is a mutual property/casualty insurance group operating in the Midwestern United States. Under its parent, Affiliated Mutual Holding Company, an Illinois domiciled mutual holding company, it includes Millers First Insurance Company (MFIC, formerly Millers Mutual Insurance Association, an Illinois domiciled insurer) and Millers Classified Insurance Company (MCIC, a Wisconsin domiciled insurer). MFIC also owns D. R. Sparks Insurance Services, Inc. (DRS) a regional insurance agency representing a variety of personal, commercial, life and health markets, including its largest, Millers First Insurance Companies.

Millers Mutual Insurance Association was incorporated under the laws of Illinois on September 20, 1877 as Millers Mutual Fire Insurance Association of Illinois. The company became known as Millers Mutual Insurance Association of Illinois on February 14, 1951 and Millers Mutual Insurance Association on November 1, 1994. With the formation of Affiliated Mutual Holding Company (AMHC) on April 2, 2003, Millers Mutual was converted to a stock company, Millers First Insurance Company, owned 100% by AMHC.

Millers Classified Insurance Company was incorporated on November 4, 1981 under the laws of Missouri as Millers General Insurance Company and began business on January 1, 1982. On January 1, 1987 the company redomesticated to Illinois. The current title was adopted on November 1, 1994 and on January 1, 1995 the company redomesticated from Illinois to Wisconsin and absorbed by merger Classified Insurance Company, Incorporated, another insurer within the group at that time. The latter company was incorporated under the laws of Wisconsin on October 11, 1985 as Classified Insurance Corporation of Wisconsin. It was licensed and began business on January 1, 1986, when it assumed the direct personal lines business of its former affiliate, American Star Insurance Company. In February 1988, it adopted the name Classified Insurance Company, Incorporated and was purchased by Millers Mutual Insurance Association on May 24, 1990.

From its origin in 1877 until 2000, MMIA specialized in commercial agribusiness insurance coverage for the grain storage, processing and related industries, often referred to as the “mill and elevator” or “agribusiness” classes. In November 2000, Millers First Insurance Company began withdrawal from the agribusiness markets. Substantial financial charge-offs related to this action occurred in December 2000 and the last agri exposures terminated in November 2002. Endorsements, audits and reinsurance adjustments produced nominal agribusiness premiums thereafter. MFIC continues to manage the agri claims run-off and original loss reserves for such claims appear to have been adequate.

These agribusiness actions, plus Y2K automated systems conversions, allowed the company to considerably reduce employee count in 2001 and 2002. Through 2003, however, the operating statements of MFIC reflected significant non-cash amortization expense charges for the major non-agribusiness systems upgrades still in use.

The group focuses on underwriting personal lines coverages, including private passenger auto, homeowners, umbrella and dwelling fire policies. Business is produced from Missouri, Illinois, Wisconsin, and Iowa through its direct response, owned agency (DRS), special marketing plan (SMP) and affinity group distribution systems. In turn, the agency and SMP distribution systems are operating units of DRS, namely Egisure (formerly Egiserve and Millers First Insurance Agency). As a result, nearly all renewal expiration rights are owned directly or indirectly by the group. A Customer Service Center plays a significant role in the servicing of business from all distribution systems.

...In summary, since 1877, Millers has provided insurance protection to Midwestern policyholders. Today, it underwrites personal line coverages in the Midwest through its direct response, owned agency and affinity group operations. It maintains modern automation facilities, direct customer sales and service capabilities and capable personnel to enhance its position as longstanding, reliable Midwestern insurer.”

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

## EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of Millers First and Millers Classified Insurance Companies. The following concerns were noted:

- The Company utilized advertising materials that contained elements of rebating through the exchange of fuel gift cards for policy quotations.
- In two instances, Millers accepted an application that included an answer to the prohibited question concerning an applicant's prior coverage being declined, cancelled or non-renewed.
- In one instance, the Company canceled a policy due to license suspension but did not continue coverage through policy expiration for the other licensed insured driver on the policy.
- In one instance, Millers failed to acknowledge receipt of claim notification within 10 working days.
- In one instance, the Company failed to accept or deny a claim within 15 working days.
- In 11 instances, Millers failed to complete an investigation within 30 days of claim notification.
- In five instances, the Company failed to complete an investigation within 30 days of claim notification. While some investigations remained incomplete, Millers failed to notify the claimant in writing within 45 days from the initial date of notification and every 45 days thereafter as to the reasons why additional time was needed to complete the investigations.
- In one instance, Millers could not reasonably complete an investigation within 30 days but failed to notify the claimant in writing within 45 days from the initial date of notification and every 45 days thereafter as to the reasons why additional time was needed to complete the claim investigation.
- In two instances, the Company failed to provide a claimant with a written claim denial that explained the reason for the denial.
- In one instance, Millers did not maintain the claim file so as to show clearly the inception, handling and disposition of the claim.
- In one complaint, the Company failed to make an appropriate reply to the claimant within 10 working days of receipt of the communication.

## EXAMINATION FINDINGS

### I. SALES AND MARKETING

In this section of the report, the examiners report their findings regarding how the Company complied with the laws that monitor sales and marketing practices. Due to time and cost restraints, examiners reviewed a sample of the Company's licensing records and marketing materials.

In two instances, Millers utilized advertising materials that included the prohibited practice of rebating through use of a \$5 BP fuel gift card in exchange for a policy quotation. This offer was not detailed in the Company's policy contract.

#### Promotion Code

BARTO  
CAMRN

Reference: §375.936(9), RSMo

### A. Licensing of Agents, Agencies, and Brokers

Missouri law requires the company to sell insurance products through individuals and entities that hold a current license from the DIFP. The purpose of a license is to protect the public by providing competent and trustworthy agents, brokers, and agencies.

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

The examiners discovered no errors during this review.

### B. Marketing Practices

Millers markets its products through an independent agency system, direct response system, company owned agency and affinity group distribution. Missouri law requires producers to be truthful and provide adequate disclosure while selling the insurance products.

The examiners discovered no errors during this review.

The Company also provides information about its products through the Internet where the Company maintains a web site. The examiners discovered no discrepancies when the examiners reviewed the site.

## **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 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 practice contrary to the law. Error rates 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 insure that the examiners could properly rate each policy reviewed.

The examiners also reviewed the Company's procedures, rules, and forms filed by or on behalf of the Company with the DIFP. The examiners randomly selected the 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 the insured.

The examiners discovered no issues or concerns.

## **B. Underwriting and Rating**

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

The following are the results of the reviews:

### **1. Homeowners**

Field Size:	4,623
Sample Size:	100
Type of Sample:	Random
Number of Errors:	2
Error Ratio:	2%
Within DIFP Guidelines:	Yes

In two instances, the Company accepted an application that included an answer to the prohibited question concerning an applicant's prior coverage being declined, cancelled or non-renewed.

#### **Policy Number**

xxxxxxx289 00  
xxxxxxx242 03

References: §375.936(11)(f), RSMo, and DIFP Bulletin 94-04.

### **2. Private Passenger Automobile**

Field Size:	8,489
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0

The examiners discovered no issues or concerns.

**C. Cancellations, Non-Renewals, Rescissions, and Declinations**

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

The following are the results of the reviews:

**1. Homeowners**

Field Size: 84  
Type of Sample: Census  
Number of Errors: 0

The examiners discovered no issues or concerns.

**2. Private Passenger Automobile**

Field Size: 58  
Type of Sample: Census  
Number of Errors: 1  
Error Ratio: 1.7%  
Within DIFP Guidelines: Yes

Millers canceled a policy due to a license suspension but failed to continue coverage through policy expiration for the other licensed insured driver on the policy. Additionally, through an act of omission, Millers failed to notify the other licensed insured driver that he could continue the policy.

**Policy Number**

xxxx822

Reference: §§376.936(6)(a) and 379.114, RSMo.

## **II. CLAIMS PRACTICES**

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

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners reviewed a statistical sampling of the claims processed. The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. The review consisted of Missouri claims selected from a listing furnished by the Company with a date of closing from January 1, 2008, through December 31, 2008.

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 [or statutory] 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.
- 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.
- Payment or denial of a claim must be made within 15 working days after investigation of the claim is complete.

The following are the results of the reviews:

### 1. Homeowners

Field Size:	523
Sample Size:	150
Type of Sample:	Random
Number of Errors:	19
Error Ratio:	12.6%
Within DIFP Guidelines:	No

In one instance, the Company failed to acknowledge the receipt of a claim notification within 10 working days.

#### Policy Number

xxxxxxxx0400

References: § 375.1007(2), RSMo, and 20 CSR 100-1.030.

In one instance, Millers failed to accept or deny the claim within 15 working days after completing an investigation.

**Policy Number**

xxxxxxxx3675

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

In 11 instances, the Company failed to complete an investigation within 30 calendar days from the date the claim was reported.

**Policy Number**

xxxxxxxx4429  
xxxxxxxx1620  
xxxxxxxx3174  
xxxxxxxx2754  
xxxxxxxx0901  
xxxxxxxx4397  
xxxxxxxx4408  
xxxxxxxx4425  
xxxxxxxx4518  
xxxxxxxx1185  
xxxxxxxx1277

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

In five instances, Millers failed to complete an investigation within 30 days of claim notification. While the claim remained incomplete, Millers failed to notify the claimant in writing within 45 days from the initial date of notification and every 45 days thereafter as to the reasons why additional time was needed to complete the claim investigation

**Policy Number**

xxxxxxxx2854  
xxxxxxxx2972  
xxxxxxxx4476  
xxxxxxxx4586  
xxxxxxxx3057

Reference: §375.1007(2) & (3), RSMo, and 20 CSR 100-1.050 (1)(C) and (4).

In one instance, the Company could not reasonably complete the investigation within 30 calendar days but failed to notify the claimant in writing within 45 days from the initial date of notification and every 45 days thereafter as to the reasons why additional time was needed to complete the investigation.

**Policy Number**

xxxxxxxx2603

References: § 375.1007(2) & (3), RSMo, and 20 CSR 100-1.050 (1)(C).

**2. Private Passenger Automobile – Physical Damage**

Field Size:	692
Sample Size	100
Type of Sample:	Random
Number of Errors	0

The examiners discovered no errors during this review.

**3. Private Passenger Automobile – Medical Payments**

Field Size:	65
Type of Sample:	Census
Number of Errors	0

The examiners discovered no errors during this review.

**4. Private Passenger Automobile – UM / UIM**

Field Size:	11
Type of Sample:	Census
Number of Errors	0

The examiners discovered no errors during this review.

## **B. Unfair Settlement and General Handling Practices**

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

The following are the results of the reviews:

### **1. Homeowners**

Field Size:	523
Sample Size:	150
Type of Sample:	Random
Number of Errors:	2
Error Ratio:	1.3%
Within DIFP Guidelines:	Yes

In two instances, the Company failed to provide a claimant with a written claim denial that explained the reason for the denial.

#### **Policy Number**

xxxxxxxx2972  
xxxxxxxx3057

References: § 375.1007(2) & (3), RSMo, and 20 CSR 100-1.050.

### **2. Private Passenger Automobile – Physical Damage**

Field Size:	692
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0

The examiners discovered no errors during this review.

### **3. Private Passenger Automobile – Medical Payments**

Field Size: 65  
Type of Sample: Census  
Number of Errors 1

In one instance, Millers did not maintain the claim file so as to clearly show the inception, handling and disposition of the claim. The Company’s claim notes failed to sufficiently document the reason for the claim denial.

References: §374.205, RSMo, and 20 CSR 300-2.100 (as amended 20 CSR 100-8.040, eff. 7/30/08).

#### **Policy Number**

080000003323

### **4. Private Passenger Automobile – UM / UIM**

Field Size: 11  
Type of Sample: Census  
Number of Errors 0  
Error Ratio: 0%  
Within DIFP Guidelines: Yes

The examiners discovered no errors during 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 liability.

#### **1. Homeowners**

The examiners discovered no issues or concerns.

#### **2. Private Passenger Automobile**

The examiners discovered no issues or concerns.

### **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, 2006, through December 31, 2008. The registry contained a total of 13 complaints. They reviewed all nine that went through DIFP and four that did not come through the Department, but went directly to the company.

The review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by §375.936(3), RSMo, and 20 CSR 300-2.200(3)(D) (as amended 20 CSR 100-8.040(3)(D) effective 7/30/2008).

In one instance, Millers failed to make an appropriate reply to the claimant within 10 working days of receipt of the communication.

#### **Policy Number**

xx xxxx937

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

## **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**

<u>Calendar Days</u>	<u>Number of Criticisms</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	34	100%
Received outside time-limit, incl. any extensions	0	0%
<u>No Response</u>	<u>0</u>	<u>0 %</u>
Total	34	100 %

### **B. Formal Request Time Study**

<u>Calendar Days</u>	<u>Number of Requests</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	17	100%
Received outside time-limit, incl. any extensions	0	100%
<u>No Response</u>	<u>0</u>	<u>100%</u>
Total	17	100%

## **EXAMINATION REPORT SUBMISSION**

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Millers First Insurance Company (NAIC #14583) and Millers Classified Insurance Company (NAIC #40185), Examination Number 0807-04-TGT. This examination was conducted by Gary Bird, and John Pfaender. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated January 28, 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.

---

Jim Mealer  
Chief Market Conduct Examiner

Date

March 3, 2010

111 East Fourth Street  
P.O. Box 9006  
Alton, Illinois 62002-9006  
Phone: (618) 463-3636

State of Missouri  
Department of Insurance  
Attn: Carolyn Kerr  
301 West High Street, Room 530  
P.O. Box 690  
Jefferson City, MO 65101-0690

RE: Missouri Market Conduct Examination #0903-15-TGT  
Millers First Insurance Company (NAIC # 14583)  
Millers Classified Insurance Company (NAIC # 40185)

Dear Ms. Kerr:

Below you will find our response to the recent market conduct exam of our companies.

**Sales and Marketing**

**Page 8**

**Promotion Code – BARTO – CAMRN** – The company disagrees that the advertising piece which offered a \$5.00 BP Gas Card for an insurance quotation was a rebate. The offer and issuance of the card was not contingent on the purchase of insurance nor was there any inducement or requirement to purchase insurance as a condition to receive the card.

As a result of this criticism, the company will stop using this offer in future advertising programs and current advertising programs with this offer, will be phased out subject to existing contracts.

**Underwriting and Rating**

**Page 11**

**Homeowners – (XXXX289 00) & (XXXX242 03)** - The company agrees that the prohibited question concerning an applicant's prior coverage being declined, cancelled or non-renewed was inadvertently marked on the 2 ACORD applications, even though the question states that it is not applicable in Missouri. No adverse underwriting action was taken. The company has again instructed its agents that, in the state of Missouri, this question should not be asked and the associated box should not be marked on the ACORD application.

**Page 12**

**Private Passenger Auto – (XXXX822)** – The company agrees that the cancellation of the policy due to a license suspension of one of the drivers should have been done at the policy renewal.

## Claims

### Page 14

**Homeowners – 08-0400** – The company agrees that “this file” did not reflect contact within 10 working days. However, the loss involved theft from a vehicle and there was a companion automobile claim that contained ongoing contact with the insured. The homeowner’s claim for the personal property taken from the vehicle was not filed until later and the homeowner’s claim should have reflected the ongoing contacts.

**Homeowners – 08-3675** – The company disagrees that the claim was not accepted or denied within 15 working days after investigation was completed. The insured wanted to get an estimate for the relatively minor damage. Multiple phone contacts with the insured are established in the claim file. However, the insured never obtained the estimate. The insured asked the Claim Handler to “just give him a figure.” The Claim Handler made a lump sum offer acceptable to the insured and the loss was concluded within 2 days.

### Page 15

{§20 CSR 100-1.050 (4) “Standards for Prompt Investigations of Claims.” Every insurer shall complete an investigation of a claim within thirty (30) days after notification of the claim, unless the investigation cannot reasonably be completed within this time. (4/30/09)}

**Homeowners – 07-4429** – The company disagrees that the investigation was not completed within a reasonable time due to the circumstances of the loss – major ice storm. Loss reported 12/11/07, loss inspected 12/12/07, with documentation in file of adjuster contact to get an agreed estimate with insured’s choice of contractor. Loss was paid on 1/25/08 (45 days). {§375.1007 (4) not applicable – good faith effort to determine damages: 20 CSR 100-1.050 (1) (A)Payment was issued within 15 days of confirmation of damages; (C) investigation completed within 45 days, payment issued, a letter was not required; & (4) – investigation could not reasonably be completed within 30 days of notification.}

**Homeowners – 08-1620** – The company disagrees that the investigation was not completed within a reasonable time due to the circumstances of the loss – alleged earthquake damage – required outside engineer inspection. Ongoing contact with insured noted in file. When the engineer’s report was received, the loss was denied. Loss reported 5/8/08 – denial letter sent 6/18/08 (41 days). {§375.1007 (4) not applicable – liability/damage was not clear: 20 CSR 100-1.050 (1) (A)Denial letter sent within 15 days of determination of no earthquake damage; (C) investigation completed within 45 days and letter sent; & (4) – investigation could not reasonably be completed within 30 days of notification.}

**Homeowners – 08-3174** – The company disagrees that the investigation was not completed within a reasonable time. Loss reported 8/26/08; loss was inspected 8/28/08, with documentation in file of adjuster contact to reach an agreed estimate of damage with insured’s choice of contractor. Claim was paid on 10/7/08 (42 days). {§375.1007 (4) not applicable – good faith effort to determine damages: 20 CSR 100-1.050 (1) (A)Payment was issued within 15 days of confirmation of damages; (C) investigation completed

within 45 days and payment issued; & (4) – investigation was completed within 30 days, but additional time was needed for resolution of damages. Letter was not required.}

**Homeowners – 08-2754** – The company disagrees that the investigation was not completed within a reasonable time. Loss was reported 7/22/09, actual cash value loss paid on 8/27/08 (36 days). Letter sent to insured with payment concerning ability to present supplemental claim under replacement cost provisions. Replacement cost paid when presented on 10/15/08. {§375.1007 (4) not applicable – good faith effort to determine damages: 20 CSR 100-1.050 (1) (A) Payment was issued within 15 days of confirmation of damages; (C) investigation completed within 45 days and payment issued. Letter was not required.}

**Homeowners – 08-0901** – The company disagrees that the investigation was not completed within a reasonable time. Loss was reported 3/13/08, loss was denied in writing on 4/21/08 (39 days). File reflects local adjuster had ongoing contacts with insured. Investigation completed within allotted time. {§375.1007 (4) not applicable – good faith effort to determine damages: 20 CSR 100-1.050 (1) (A) Payment was issued within 15 days of confirmation of damages; (C) investigation completed within 45 days and payment issued. Letter was not required.}

**Homeowners – 07-4397** – The company agrees that the investigation was not completed within 30 days and that the 45 day letter should have been sent.

**Homeowners – 08-4408** – The company disagrees that the investigation was not completed within a reasonable time due to circumstances of loss – major ice storm. Loss was reported 12/10/07, inspected on 12/11/07 with documentation in file of local adjuster’s ongoing contact with insured. Investigation completed and accepted within reasonable time (36 days). {§375.1007 (4) not applicable – good faith effort to determine damages: 20 CSR 100-1.050 (1) (A) Payment was issued within 15 days of confirmation of damages; (C) investigation completed within 45 days and payment issued. Letter was not required.}

**Homeowners – 07-4425** – The company agrees that the investigation was not completed within 30 days and that the 45 day letter should have been sent.

**Homeowners – 07-4518** – The company agrees that the investigation was not completed within 30 days and that the 45 day letter should have been sent.

**Homeowners – 08-1185** – The company disagrees that the investigation was not completed within a reasonable time. Loss was reported 4/2/08, inspected on 4/11/08 with documentation in file of ongoing contact with insured. Investigation completed and accepted with reasonable time (35 days). {§375.1007 (4) not applicable – good faith effort to determine damages: 20 CSR 100-1.050 (1) (A) Payment was issued within 15 days of confirmation of damages; (C) investigation completed within 45 days and payment issued. Letter was not required.}

**Homeowner – 08-1277** - The company agrees that the investigation was not completed within 30 days and that the 45 day letter should have been sent.

**Page 15**

**Homeowners – 08-2854** - The company agrees that the investigation was not completed within 30 days and that the 45 day letter should have been sent.

**Homeowners – 07-2972** - The company agrees that the investigation was not completed within 30 days and that the 45 day letter should have been sent. (*\*Also Refer to Pg 17, B. 1.*)

**Homeowners – 07-4476** - The company agrees that the investigation was not completed within 30 days and that the 45 day letter should have been sent.

**Homeowners – 07-4586** – The company disagrees that the investigation was not completed within a reasonable time or that the company should have sent letter within 45 days. Loss was reported on 12/24/07, from a major ice storm, inspected on 1/2/08 with ongoing contact with insured to get agreement on damages. Loss was paid on 1/29/08 (39 days). Investigation was completed and paid within reasonable time.

{§375.1007 (4) not applicable – good faith effort to determine damages: 20 CSR 100-1.050 (1) (A) Payment was issued within 15 days of confirmation of damages; (C) investigation completed within 45 days and payment issued. Letter was not required.}

**Homeowners – 07-3057** – The company agrees that the investigation was not completed within 30 days and that the 45 day letter should have been sent. (*\*Also Refer to Pg 17, B. 1.*)

**Page 16**

**Homeowners – 08-2603** - The company agrees that the investigation was not completed within 30 days and that the 45 day letter should have been sent.

**Page 17**

**Homeowners – 07-2972** – The company agrees the claim file lacked documentation and a letter should have been sent (*\*Also Refer to Pg 15*) for the insured's failure to provide repair bills or present their claim.

**Homeowners – 07-3057** – The company disagrees that a denial letter should have been sent. Loss reported 8/20/07, numerous attempts to contact insured documented in claim file with no response from insured. Hand written memo sent to insured 10/15/07 asking for his documentation or repair bills, with no response. Claim denial letter was not required because the claim was not denied for a specific policy provisions, condition, or exclusion. (*\* Refer to Pg 15*)

**Page 18**

**Private Passenger Automobile – Medical Payments – 08-3323** – The company disagrees that the claim file was not maintained to clearly show inception, handling and disposition of claim. Claim involved theft of insured's vehicle. Policy did not provide "Other Than Collision" (Comp) coverage. In order to enter the claim onto our Claims system, when there is no physical damage coverage and there is Medical Payment coverage, the claim is opened up with a Medical Payment reserve. The file activity log documented that the insured was contacted on 9/9/08 and advised that he had no physical damage coverage - {§20 CSR 100-1.050 (B)}. No other activity was required.

**Page 20**

**Complaints – XXX 9937** – The company agrees that they failed to make an appropriate reply within 10 working days of receipt of the communication (received 6/26/08). The response was mailed on the 12th working day (7/15/08).

If you have any questions or require any additional information, please contact me.

Sincerely,



Frank B. Luitjohan

Vice President – Claims

618-463-3679

618-463-3645 Fax

<mailto:fluitjohan@mficgw.com>