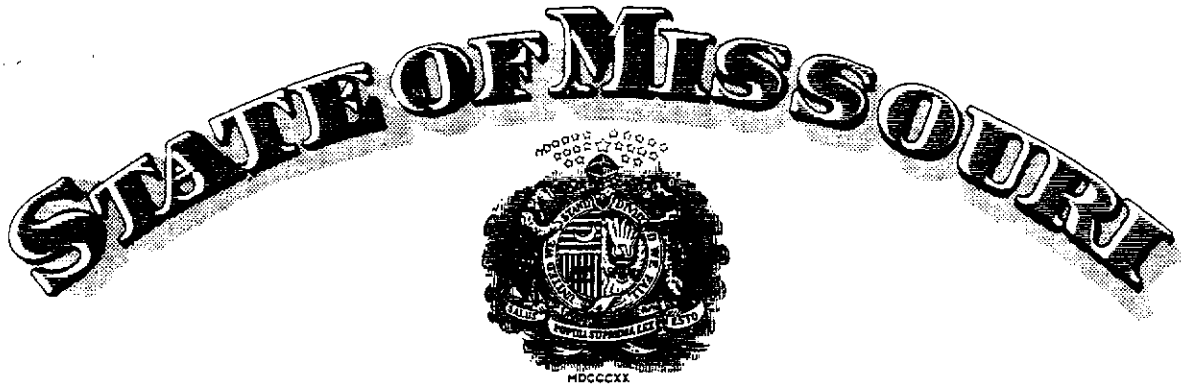


DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

TO: State Auto Insurance Companies
518 East Broad St.
Columbus, OH 43215

RECEIVED
APR 07 2010
DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

RE: State Auto Insurance Group (NAIC Group #0175)
Missouri Market Conduct Examination #0811-20-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 State Auto Insurance Group, (hereafter referred to as "State Auto"), 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, State Auto 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 State Auto and prepared report number 0811-20-TGT; and

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

1. In some instances, State Auto failed to file certain policy forms with the Department, as required by §379.321.1, RSMo. The Company has since filed the forms as required.

2. In some instances, State Auto failed to charge the insureds the correct policy premium, in that it used rates that were different than those on file with the DIFP and either failed to apply the correct discounts or applied a discount that did not apply or based the premium on incorrect rating territories, in violation of §379.321.1, RSMo, and the Company's Policy Provisions.

3. In some instances, State Auto failed to maintain its books, records, documents, and other business records and to provide relevant materials, files, and documentation in such a way to allow the examiners to sufficiently ascertain the rating and claims settlement practices of the Company, thereby violating 20 CSR 300-2.200 (as amended 20 CSR 100-8.040, eff. 7/30/08).

4. In some instances, State Auto failed to provide or send a cancellation or non-renewal notice stating the actual reasons for the cancellations or non-renewals, as required by §379.120, RSMo.

5. In some instances, State Auto failed to promptly investigate and settle a claim once liability had become clear, thereby violating §375.1007(3) and (4), RSMo.

6. State Auto failed to document a file with a copy of a Missouri sales tax affidavit concerning a total loss claim, in violation of §144.027, RSMo, and 20 CSR 300-2.200 (as amended 20 CSR 100-8.040(3)(B)3, eff. 7/30/08).

7. In some instances, State Auto failed to accurately reimburse the insured the total amount of his deductible after recovering a percentage from the adverse carrier, thereby violating §375.1007(4), RSMo, and the Company's policy provisions.

8. State Auto failed to disclose all pertinent benefits and coverage to the first party claimant, failed to provide all claim forms, instructions and reasonable assistance to the first party claimant within 10 working days of the claim, offset the Med Pay coverage by paying the injured passenger's Bodily Injury claim, failed to adopt and implement reasonable standards for the prompt investigation and settlement of the claim, and failed to effectuate a prompt, fair and equitable settlement of the claim once liability became reasonably clear. These actions violated §§375.1007(1), (3), (4), and (15), 379.110(3), and 408.020, RSMo, and 20 CSR 100-1.020, 20 CSR 100-1.030(3), and 20 CSR 500-2.100.

WHEREAS, State Auto 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 including, but not limited to, taking the following actions:

1. State Auto agrees to take corrective action to assure that the errors noted in the above-referenced market conduct examination reports do not recur;

2. State Auto agrees to review all of the policies listed on page 20 of the Final Market Conduct Examination Report and issue refunds of all overpayments within 60 days of the date a final Order is entered closing this examination. These refunds must include an additional payment of nine percent (9%) interest, pursuant to §408.020, RSMo. A letter must be included with the refund payments, indicating that "as a result of a Missouri Market Conduct examination," the Company owes a rate adjustment refund on the policy. Evidence must be provided to the Department that such payments have been made within 90 days after the date a final Order is entered closing this examination; and

3. State Auto agrees to file documentation of all remedial actions taken by it to implement compliance with the terms of this Stipulation of Settlement and Voluntary Forfeiture and to assure that the errors noted in the examination report do not recur, including explaining the steps taken and the results of such actions, with the Director within 90 days of the entry of a final Order closing this examination

WHEREAS, State Auto 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

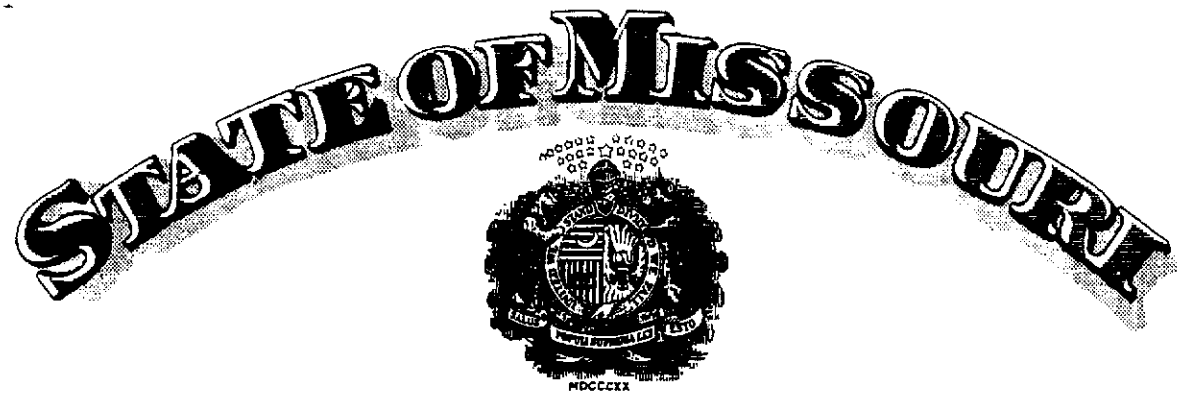
WHEREAS, State Auto, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, State Auto hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0811-20-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of $88,768.

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 State Auto to transact the business of insurance in the State of Missouri or the imposition of other sanctions, State Auto 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 $88,768, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 4/5/2010

President
State Auto Insurance Companies



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

In re:	)	
	)	Examination No. 0811-20-TGT
State Auto Insurance Group (NAIC Group #0175)	)	

ORDER OF THE DIRECTOR

NOW, on this 26th day of APRIL, 2010, Director John M. Huff, after consideration and review of the market conduct examination report of State Auto Insurance Group (NAIC Group #0175), (hereafter referred to as "State Auto") report numbered 0811-20-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 State Auto 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 State Auto shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place State Auto 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 State Auto shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $88,768, payable to the Missouri State School Fund.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 26th day of APRIL, 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

State Auto Insurance Group
NAIC Group # 0175

MISSOURI EXAMINATION # 0811-20-TGT

NAIC EXAM TRACKING SYSTEM # MO268-M90

March 12, 2010

State Auto Insurance Group
518 Broad Street
Columbus, Ohio 43215

TABLE OF CONTENTS

FOREWORD **8**

SCOPE OF EXAMINATION **9**

COMPANY PROFILE **10**

EXECUTIVE SUMMARY **11**

EXAMINATION FINDINGS **18**

I. UNDERWRITING AND RATING PRACTICES **18**
- A. Forms and Filings 19
- B. State Auto Mutual Insurance Company Commercial Automobile 19
- C. State Auto Property and Casualty Insurance Company Commercial Automobile 21
- D. State Auto Property and Casualty Insurance Company Private Passenger Automobile 21
- E. State Auto National Insurance Company Private Passenger Automobile 24
- F. Meridian Security Insurance Company Private Passenger Automobile 25
- G. State Auto Mutual Insurance Company Commercial Automobile Cancellations, Non-Renewals and Declinations 27
  - 1. Cancellations Within 60 Days 27
  - 2. Cancellations After 60 Days 27
  - 3. Non-Renewals 27
- H. State Auto Property and Casualty Insurance Company Commercial Automobile Cancellations, Non-Renewals & Declinations 28
  - 1. Cancellations Within 60 Days 28
  - 2. Cancellations After 60 Days 28
  - 3. Non-Renewals 28
- I. State Auto Property and Casualty Insurance Company Private Passenger Automobile Cancellations, Non-Renewals & Declinations 29
  - 1. Cancellations Within 60 Days 29
  - 2. Cancellations After 60 Days 29
  - 3. Non-Renewals 30
- J. State Auto National Insurance Company Private Passenger Automobile Cancellations, Non-Renewals & Declinations 30
  - 1. Cancellations Within 60 Days 30
  - 2. Cancellations After 60 Days 30
  - 3. Non-Renewals 31
- K. Meridian Security Insurance Company Private Passenger Automobile Cancellations, Non-Renewals & Declinations 31
  - 1. Cancellations Within 60 Days 31
  - 2. Cancellations After 60 Days 31
  - 3. Non-Renewals 32

L. Practices Not in the Best Interest of Consumers 32

II. CLAIMS PRACTICES 33
A. State Auto Mutual Insurance Company Commercial Auto Physical Damage Claims Paid 34
1. Commercial Auto Time Studies 34
2. Commercial Auto Unfair Settlement and General Handling Practices 34
B. State Auto Mutual Insurance Company Commercial Auto Subrogation Claims Paid 35
1. Commercial Auto Time Studies 35
2. Commercial Auto Unfair Settlement and General Handling Practices 35
C. State Auto Mutual Insurance Company Commercial Auto Physical Damage Claims Closed Without Payment 36
1. Commercial Auto Time Studies 36
2. Commercial Auto Unfair Settlement and General Handling Practices 36
D. State Auto Mutual Insurance Company Commercial Auto Subrogation Claims Closed Without Payment 36
1. Commercial Auto Time Studies 36
2. Commercial Auto Unfair Settlement and General Handling Practices 37
E. State Auto Property and Casualty Insurance Company Commercial Auto Physical Damage Claims Paid 37
1. Commercial Auto Time Studies 37
2. Commercial Auto Unfair Settlement and General Handling Practices 37
F. State Auto Property and Casualty Insurance Company Commercial Auto Uninsured/Underinsured Motorist Claims Paid 38
1. Commercial Auto Time Studies 38
2. Commercial Auto Unfair Settlement and General Handling Practices 38
G. State Auto Property and Casualty Insurance Company Commercial Auto Subrogation Claims Paid 38
1. Commercial Auto Time Studies 38
2. Commercial Auto Unfair Settlement and General Handling Practices 39
H. State Auto Property and Casualty Insurance Company Commercial Auto Physical Damage Claims Closed Without Payment 39
1. Commercial Auto Time Studies 39
2. Commercial Auto Unfair Settlement and General Handling Practices 40
I. State Auto Property and Casualty Insurance Company Commercial Auto Uninsured/Underinsured Claims Closed Without Payment 40
1. Commercial Auto Time Studies 40
2. Commercial Auto Unfair Settlement and General Handling Practices 41
J. State Auto Property and Casualty Insurance Company Commercial Auto Subrogation Claims Closed Without Payment 41
1. Commercial Auto Time Studies 41
2. Commercial Auto Unfair Settlement and General Handling Practices 41

K. State Auto Property and Casualty Insurance Company Private Passenger Auto Physical Damage Claims Paid 42
1. Private Passenger Auto Time Studies 42
2. Private Passenger Auto Unfair Settlement and General Handling Practices 42
L. State Auto Property and Casualty Insurance Company Private Passenger Auto Medical Payments Claims Paid 43
1. Private Passenger Auto Time Studies 43
2. Private Passenger Auto Unfair Settlement and General Handling Practices 43
M. State Auto Property and Casualty Insurance Company Private Passenger Auto Bodily Injury Claims Paid 43
1. Private Passenger Auto Time Studies 43
2. Private Passenger Auto Unfair Settlement and General Handling Practices 44
N. State Auto Property and Casualty Insurance Company Private Passenger Auto Uninsured/Underinsured Motorist Claims Paid 44
1. Private Passenger Auto Time Studies 44
2. Private Passenger Auto Unfair Settlement and General Handling Practices 44
O. State Auto Property and Casualty Insurance Company Private Passenger Auto Subrogation Claims Paid 45
1. Private Passenger Auto Time Studies 45
2. Private Passenger Auto Unfair Settlement and General Handling Practices 45
P. State Auto Property and Casualty Insurance Company Private Passenger Auto Total Loss Claims Paid 45
1. Private Passenger Auto Time Studies 45
2. Private Passenger Auto Unfair Settlement and General Handling Practices 46
Q. State Auto Property and Casualty Insurance Company Private Passenger Auto Physical Damage Claims Closed Without Payment 46
1. Private Passenger Auto Time Studies 46
2. Private Passenger Auto Unfair Settlement and General Handling Practices 46
R. State Auto Property and Casualty Insurance Company Private Passenger Auto Medical Payments Claims Closed Without Payment 47
1. Private Passenger Auto Time Studies 47
2. Private Passenger Auto Unfair Settlement and General Handling Practices 47
S. State Auto Property and Casualty Insurance Company Private Passenger Auto Bodily Injury Claims Closed Without Payment 47
1. Private Passenger Auto Time Studies 47
2. Private Passenger Auto Unfair Settlement and General Handling Practices 48

T. State Auto Property and Casualty Insurance Company Private Passenger Auto Uninsured/Underinsured Motorist Claims Closed Without Payment 48
1. Private Passenger Auto Time Studies 48
2. Private Passenger Auto Unfair Settlement and General Handling Practices 48
U. State Auto Property and Casualty Insurance Company Private Passenger Auto Subrogation Claims Closed Without Payment 49
1. Private Passenger Auto Time Studies 49
2. Private Passenger Auto Unfair Settlement and General Handling Practices 49
V. State Auto Property and Casualty Insurance Company Private Passenger Auto Total Loss Claims Closed Without Payment 49
1. Private Passenger Auto Time Studies 49
2. Private Passenger Auto Unfair Settlement and General Handling Practices 50
W. State Auto National Insurance Company Private Passenger Auto Physical Damage Claims Paid 50
1. Private Passenger Auto Time Studies 50
2. Private Passenger Auto Unfair Settlement and General Handling Practices 50
X. State Auto National Insurance Company Private Passenger Auto Medical Payments Claims Paid 51
1. Private Passenger Auto Time Studies 51
2. Private Passenger Auto Unfair Settlement and General Handling Practices 51
Y. State Auto National Insurance Company Private Passenger Auto Bodily Injury Claims Paid 51
1. Private Passenger Auto Time Studies 51
2. Private Passenger Auto Unfair Settlement and General Handling Practices 52
Z. State Auto National Insurance Company Private Passenger Auto Uninsured/Underinsured Motorist Claims Paid 52
1. Private Passenger Auto Time Studies 52
2. Private Passenger Auto Unfair Settlement and General Handling Practices 52
AA. State Auto National Insurance Company Private Passenger Auto Subrogation Claims Paid 53
1. Private Passenger Auto Time Studies 53
2. Private Passenger Auto Unfair Settlement and General Handling Practices 53
AB. State Auto National Insurance Company Private Passenger Auto Total Loss Claims Paid 53
1. Private Passenger Auto Time Studies 53
2. Private Passenger Auto Unfair Settlement and General Handling Practices 54

AC. State Auto National Insurance Company Private Passenger Auto Physical Damage Claims Closed Without Payment 54
1. Private Passenger Auto Time Studies 54
2. Private Passenger Auto Unfair Settlement and General Handling Practices 54
AD. State Auto National Insurance Company Private Passenger Auto Medical Payments Claims Closed Without Payment 55
1. Private Passenger Auto Time Studies 55
2. Private Passenger Auto Unfair Settlement and General Handling Practices 55
AE. State Auto National Insurance Company Private Passenger Auto Bodily Injury Claims Closed Without Payment 57
1. Private Passenger Auto Time Studies 57
2. Private Passenger Auto Unfair Settlement and General Handling Practices 57
AF. State Auto National Insurance Company Private Passenger Auto Subrogation Claims Closed Without Payment 57
1. Private Passenger Auto Time Studies 57
2. Private Passenger Auto Unfair Settlement and General Handling Practices 58
AG. State Auto National Insurance Company Private Passenger Auto Total Loss Claims Closed Without Payment 58
1. Private Passenger Auto Time Studies 58
2. Private Passenger Auto Unfair Settlement and General Handling Practices 58
AH. Meridian Security Insurance Company Private Passenger Auto Physical Damage Claims Paid 59
1. Private Passenger Auto Time Studies 59
2. Private Passenger Auto Unfair Settlement and General Handling Practices 59
AI. Meridian Security Insurance Company Private Passenger Auto Medical Payments Claims Paid 60
1. Private Passenger Auto Time Studies 60
2. Private Passenger Auto Unfair Settlement and General Handling Practices 60
AJ. Meridian Security Insurance Company Private Passenger Auto Bodily Injury Claims Paid 60
1. Private Passenger Auto Time Studies 60
2. Private Passenger Auto Unfair Settlement and General Handling Practices 61
AK. Meridian Security Insurance Company Private Passenger Auto Uninsured/Underinsured Motorist Claims Paid 61
1. Private Passenger Auto Time Studies 61
2. Private Passenger Auto Unfair Settlement and General Handling Practices 61

AL. Meridian Security Insurance Company Private Passenger Auto Subrogation Claims Paid 62
1. Private Passenger Auto Time Studies 62
2. Private Passenger Auto Unfair Settlement and General Handling Practices 62
AM. Meridian Security Insurance Company Private Passenger Auto Total Loss Claims Paid 62
1. Private Passenger Auto Time Studies 62
2. Private Passenger Auto Unfair Settlement and General Handling Practices 63
AN. Meridian Security Insurance Company Private Passenger Auto Physical Damage Claims Closed Without Payment 63
1. Private Passenger Auto Time Studies 63
2. Private Passenger Auto Unfair Settlement and General Handling Practices 63
AO. Meridian Security Insurance Company Private Passenger Auto Medical Payments Claims Closed Without Payment 64
1. Private Passenger Auto Time Studies 64
2. Private Passenger Auto Unfair Settlement and General Handling Practices 64
AP. Meridian Security Insurance Company Private Passenger Auto Bodily Injury Claims Closed Without Payment 65
1. Private Passenger Auto Time Studies 65
2. Private Passenger Auto Unfair Settlement and General Handling Practices 65
AQ. Meridian Security Insurance Company Private Passenger Auto Uninsured/Underinsured Motorist Claims Closed Without Payment 65
1. Private Passenger Auto Time Studies 65
2. Private Passenger Auto Unfair Settlement and General Handling Practices 66
AR. Practices Not In The Best Interest of Missouri Consumers 66

III. COMPLAINTS 67
A. State Auto Insurance Group Complaints Sent Directly to the DIFP 67
B. State Auto Insurance Group Complaints Sent Directly to the Company 67

IV. CRITICISMS AND FORMAL REQUESTS TIME STUDY 68
A. Criticism Time Study 68
B. Formal Request Time Study 68

EXAMINATION REPORT SUBMISSION 69

FOREWORD

This is a targeted market conduct examination report of the State Auto Insurance Group, (NAIC Code #0175). This examination was conducted at the offices of the State Auto Insurance Companies, located at 100 State Auto Boulevard, Goodlettsville, Tennessee 37072 and at the offices of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

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

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

When used in this report:

- "Company" refers to State Auto Insurance Group;
- "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;
- "SAM" refers to State Auto Mutual Insurance Company;
- "SAPC" refers to State Auto Property and Casualty Insurance Company;
- "SAN" refers to State Auto National Insurance Company;
- "MSIC" refers to Meridian Security Insurance Company;
- "NAIC" refers to the National Association of Insurance Commissioners;
- "RSMo" refers to the Revised Statutes of Missouri. All citations are to RSMo 2000, unless otherwise specified.

SCOPE OF EXAMINATION

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

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2007, through December 31, 2007, unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

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

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). The benchmark error rates were not utilized, however, for reviews not applying 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 based on information as of December 31, 2007.

The State Automobile Mutual Insurance Company was founded in 1921 in Columbus, Ohio with the promise of providing overwhelming service to all policyholders and claimants. Dedicated to serving our policyholders fairly and equitably and with the utmost in financial strength and stability, we're friends you can depend on, now and forever.

The State Auto Group is comprised of 14 insurance companies writing property and casualty insurance coverage. The companies are State Automobile Mutual, State Auto Property & Casualty, State Auto of Wisconsin, State Auto of Ohio, Milbank, State Auto National, Farmers Casualty, State Auto Florida, Meridian Citizens Mutual, Meridian Security, Beacon National, Beacon Lloyds, Patrons Mutual and Litchfield Mutual. The companies' principal lines of business include personal and commercial auto, homeowners, commercial multi-peril, fire, general liability and worker's compensation insurance.

The State Auto Mutual Group has achieved geographical diversification and expansion through both mergers and acquisitions and now represents the 50th largest property and casualty insurance group in the country with written premium in excess of $1 billion, and over $3 billion in assets. The companies within the group market their products through more than 24,000 independent agents, associated with approximately 4,800 agencies in 33 central and eastern states. The group has more than 2,300 dedicated employees servicing more than one million policies out of the home office and 13 regional or branch offices throughout the states of operation.

Our subsidiary, State Auto Financial Corporation's (NASDAQ:STFC) stock value has appreciated steadily since its initial public offering in 1991.

For many years, State Auto Mutual and its pooled affiliates have earned one of the highest policyholder's ratings –A+ (Superior)-from the A.M. Best Company. In fact, State Auto is one of only 14 companies in the U.S. to have earned A.M. Best's highest rating every year since 1954. We are also committed to the very best in claims service and pledge to respond to our insureds' calls within two hours of company notification. (Two-hour claim contact applies except in the event of a large-scale catastrophe, such as hurricane.)*

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

EXECUTIVE SUMMARY

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

The examiners discovered errors when conducting the Underwriting and Rating Forms and Filings practices reviews.

- The examiners found 10 forms that were used by the Company but were not filed with the DIFP.

The examiners discovered the following errors regarding the Underwriting and Rating of Commercial Auto practices by State Auto Mutual Insurance Company (SAM) reviews:

- The examiners found five instances where the Company miscalculated the policy premium, resulting in a premium over and undercharges. The examiners found one file that failed to maintain records to clearly show the basis for the rating.

The examiners discovered the following errors regarding the Underwriting and Rating, Private Passenger Auto practices of State Auto Property and Casualty Insurance Company (SAPC):

- The examiners found 29 instances where the Company failed to charge the insured the correct policy premium by using an incorrect anti-theft and anti-lock braking system discount creating premium over and under charges.
- The examiners found one instance where the Company used the incorrect territory creating a premium overcharge.
- The examiners found two instances where the Company used the incorrect territory creating a premium overcharge and an undercharge.

The examiners discovered the following regarding the Underwriting and Rating Private Passenger Auto practices of State Auto National Insurance Company (SAN):

- The examiners found one instance where the Company failed to document the policy file with a completed application for policies issued and maintained for the duration of the current policy term plus two calendar years.
- The examiners found one instance where the Company failed to document the policy file with a signed Driver Exclusion Endorsement excluding a person in the insured's household.

The examiners discovered the following regarding the Underwriting and Rating Private Passenger Auto practices of Meridian Security Insurance Company (MSIC):

- The examiners found three instances where the Company failed to charge the correct premium by applying the wrong territories.
- The examiners found two instances where the Company failed to apply youthful driver household factors.
- The examiners found one instance where the Company failed to use the correct credit rating factor.
- The examiners found one instance where the Company failed to charge the correct premium by applying an anti-lock braking system discount when it did not apply.
- These errors resulted in premium under- and overcharges**.**

The examiners discovered the following regarding the Underwriting and Rating Commercial Auto practices of SAPC:

- The examiners found one instance where the Company failed to provide the insured with a nonrenewal notice stating the Company's reason for nonrenewal.

The examiners discovered the following regarding the Underwriting and Rating Private Passenger Auto policy cancellation practices of SAPC:

- The examiners found two instances where the Company failed to provide the insureds nonrenewal notices stating the Company's reason for nonrenewal.

The examiners discovered the following regarding the Underwriting and Rating Private Passenger Auto State Auto cancellation practices of SAN:

- The examiners found one instance where the Company failed to provide the insured with a nonrenewal notice stating the Company's reason for nonrenewal.

The examiners discovered the following regarding the Underwriting and Rating Private Passenger Auto non-renewal practices of MSIC:

- The examiners found one instance where the Company failed to provide the insured with a nonrenewal notice stating the Company's reason for nonrenewal.

The examiners discovered the following regarding the SAM Commercial Auto Subrogation Claims Paid Practices reviews:

- The examiners found one instance where the Company failed to adopt and implement reasonable standards for prompt investigation and settlement of claims arising under its policies and failed to effectuate a prompt, fair settlement of a claim where liability was reasonably clear.

The examiners discovered the following regarding the SAPC Commercial Auto Subrogation Claims Paid Practices reviews:

- The examiners found one instance where the Company failed to reimburse the insured a percentage of the deductible after recovery was made, creating a claim underpayment to the insured.
- The examiners found one instance where the Company failed to document the file clearly showing the inception, handling and disposition of the claim.

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

- The examiners found one instance where the Company failed to document the file showing that a sales tax affidavit was sent to the claimant concerning the total loss vehicle.

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

- The examiners found one instance where the Company failed to document the file showing that all pertinent benefits and coverages were disclosed to the first party claimant.
- The examiners found one instance where the Company failed to provide all claim forms, instructions and reasonable assistance to first party claimants within 10 working days (No Medical Payments Claim Form was sent).
- The examiners found one instance where the Company offset the Medical Payments coverage by only paying the Bodily Injury claim of the insured passenger with no medical payments consideration.
- The examiners found one instance where the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies, failed to attempt in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability was reasonably clear, and failed to promptly settle claims where liability was reasonably clear under one portion of the insurance policy in order to influence settlements under other portions of the policy (settling the Bodily Injury claim presented by the insured passenger without considering the Medical Payments coverage).

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

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

The examiners tracked and were mindful of the results, Company responses and public disciplinary action(s) of prior examinations concerning the State Auto Insurance Group. The following represents a summary of the results from a previous Missouri Market Conduct Examination that took place in 2004. A voluntary forfeiture was made by the Company in the amount of $86,418.25. Meridian Security Insurance Company was not reviewed at that time. SAPAC as referred to in the previous report is referred to as SAPC in this examination.

A. Prior Missouri Market Conduct Examination Report # 0309-34-GRP Findings (2004)

1. In some instances, SAPAC was cited for underwriting and rating errors for personal Automobile policies in that the company used incorrect territory codes, incorrect symbols, did not maintain documentation to support its rating decisions, did not apply a discount, did not correctly rate the driver's use of the vehicle, applied incorrect rating factors to uninsured motorist coverage, not applying a passive restraint discounts, and applied an incorrect credit factor to uninsured motorist coverage.

2. In some instances, SAN was cited for underwriting and rating errors for personal Automobile policies in that the company incorrectly surcharged for comprehensive losses, did not maintain documentation to support its rating decisions, and used incorrect territory codes and symbols, and was found inconsistent with the company's own rating manual. In addition, the examiners cited SAN for a pattern error in that the company surcharged policies for comprehensive losses.

3. In some instances, SAPAC was cited for underwriting and rating errors for Homeowners policies in that the company used incorrect protection class codes and the company accepted applications that contained a question as to whether or not the applicant had been previously cancelled or nonrenewed by another insurer, and the question was answered.

4. In some instances, SAPAC was cited for underwriting and rating errors for Dwelling Fire policies in that the company used incorrect protection class codes and the company accepted applications that contained a question as to whether or not the applicant had been previously cancelled or nonrenewed by another insurer, and the question was answered.

5. In some instances, SAM was cited for underwriting and rating errors for Workers' Compensation policies in that the company did not retain a copy of the IRPM Worksheet, incorrectly reported payroll amounts, did not document that information was sent to the employer, accepted applications that contained a question as to whether or not the applicant had been previously cancelled or nonrenewed by another insurer, and the question was answered, used applications that did not identify the writing producer, used an incorrect endorsement, continued to assess a charge for premium installments even though the program was withdrawn in 1997, did not maintain proof of mailing to the

employer of the Contracting Classification Premium Adjustment Program Workers' Compensation Premium Credit Application, and did not inform consumers about their ability to question a premium adjustment.

6. In some instances, SAPAC was cited for underwriting and rating errors for Workers' Compensation policies in that the company did not retain a copy of the IRPM Worksheet, accepted applications that contained a question as to whether or not the applicant had been previously cancelled or nonrenewed by another insurer, incorrectly surcharged Second Injury Fund policies by using the wrong percentage, failed to maintain proof of mailing to the employer of the Contracting Classification Premium Adjustment Program Workers' Compensation Premium Credit Application and the question was answered, incorrectly allowed experience rating on policies that did not qualify as such, used applications that did not identify the writing producer, did not inform the consumer about their ability to question a premium adjustment, and did not document why certain credits were allowed or disallowed.

7. In some instances, SAPAC was cited for underwriting and rating errors for Commercial Automobile policies. The examiners cited SAPAC for two pattern errors: first, the company used a driver exclusion form that is contrary to the requirements contained in Bulletin 98-05. Second, the company continued to assess a charge for premium installments even though that program was withdrawn in 1997.

8. In some instances, SAM was cited for underwriting and rating errors for Commercial Automobile policies in that the company failed to document why the IRPM increased, did not inform the consumer about their ability to question a premium adjustment, used applications thatdid not identify the writing producer, accepted applications that contained a question as to whether or not the applicant had been previously cancelled or nonrenewed by another insurer, and the question was answered, did not document why a credit was given or modified, used ineffective rates and found that the company used a driver exclusion that is contrary to the requirements contained in Bulletin 98-05.

9. In some instances, SAM and SAPAC were cited for underwriting and rating errors for Portfolio policies. These errors were contrary to the company's rating manual. In addition, the examiners cited SAM and SAPAC for two pattern errors. The company continued to assess a charge for premium installments even though the program was withdrawn in 1997, and utilized a discount program that was not dependent upon specific criteria but rather was subjectively used by the underwriter.

10. In some instances, SAM and SAPAC were cited for underwriting and rating errors for Business Owner policies. These errors were contrary to the company's rating manual.

11. In some instances, SAPAC was cited for errors in its cancellation practices for Automobile policies in that the company did not provide a clear and specific reason for

cancelling the policy and the policies were cancelled on a date other than the policies' anniversary date.

12. In some instances, SAPAC was cited for errors in its Automobile nonrenewal practices, the details of which are contained in the report.

13. In some instances, SAN was cited for errors in its declination practices for Automobile policies in that the company did not provide a clear and specific reason for declining the policy and the company incorrectly stated that the notification requirements of the FCRA did not apply to these policies/practices of the company.

14. In some instances, SAN was cited for errors in its nonrenewal practices for Automobile policies in that the company did not provide a clear and specific reason for nonrenewing the policy and a policy was cancelled on a date other than its anniversary date.

15. In one instance, SAPAC was cited for an error in its nonrenewal practices for Homeowner's policies in that the company did not provide a clear and specific reason for nonrenewing the policy.

16. In some instances, SAPAC was cited for errors in its cancellation practices for Homeowner's policies in that the company did not provide a clear and specific reason for cancelling the policy.

17. In some instances, SAPAC was cited for errors in its cancellation practices for Commercial Automobile policies in that the company did not provide a clear and specific reason for declining the policy and the company incorrectly stated that the notification requirements of the FCRA did not apply to these policies/practices of the company.

18. In some instances, SAPAC was cited for errors in its claims handling practices for Automobile Comprehensive - Closed with Payment claims in that the company did not maintain adequate documentation regarding the loss and deductible, did not send a claimant the sales tax affidavit, and the company did not maintain documentation showing that a sales tax affidavit was sent to the claimant. The examiners cited SAPAC for a pattern error in that the company used a sales tax affidavit that was only valid for ninety (90) days instead of the correct one hundred eighty (180) days.

19. In some instances, SAPAC was cited for errors in its claims handling practices for Workers' Compensation claims in that the company did not adequately document the handling of the claims.

20. In one instance SAN was cited for an error in its claims handling practices for Subrogation claims in that the company did not reimburse the claimant their deductible thus underpaying the claim.

21. In some instances, SAPAC was cited for errors in its claims handling practices for Total Loss claims in that the company used a sales tax affidavit that was only valid for ninety (90) days instead of the correct one hundred eighty (180) days, the company did not send a claimant the sales tax affidavit, the company did not maintain documentation showing that a sales tax affidavit was sent to the claimant, and the sales tax affidavit did not include the claimant's deductible amount.

22. In some instances, SAPAC was cited for errors in its claims handling practices for Collision claims - Closed with Payment in that the company incorrectly calculated the amount owed, did not maintain documentation to support the handling of claims, used a sales tax affidavit that was only valid for ninety (90) days instead of the correct one hundred eighty (180) days, the company did not send a claimant the sales tax affidavit, and the sales tax affidavit did not include the claimant's deductible amount.

23. In one instance SAPAC was cited for an error in its claims handling practices for Comprehensive Claims - Closed without Payment in that the company did not maintain documentation to support the handling of claim.

24. In one instance SAPAC was cited for an error in its claims handling practices for Medical Payment Claims - Closed without Payment in that the company offset the claim against the amount paid by the claimant's health insurer.

25. In some instances, SAPAC was cited for errors in its claims handling practices for Homeowner's Claims - Closed with Payment in that the company incorrectly paid claims, the details of which are contained in the report, and did not maintain adequate documentation to support the handling of claims.

26. In some instances, SAN was cited for errors in its claims handling practices for Total Loss claims in that the company did not send a claimant the sales tax affidavit and the sales tax affidavit did not include the claimant's deductible amount.

EXAMINATION FINDINGS

I. UNDERWRITING AND RATING PRACTICES

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

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

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

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

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

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

A. Forms and Filings

The examiners reviewed the company's policy and contract forms to determine its compliance with filing, approval, and content requirements to ensure that the contract language is not ambiguous or misleading and is adequate to protect those insured.

The following are the results of the reviews:

1. The examiners found that the Company failed to file the following 10 policy forms with the DIFP.

Policy Form Number and Description

IL12010493-Policy Changes
Form F0899-Uniform Motor Carrier Endorsement
MC-171285-Manuscript (2)
IL00030702-Calculation of Premium (650)
SA10240507-Comprehensive Coverage Deductible Endorsement (45)
SA23240507-Comprehensive Truckers Endorsement-Truckers (0)
SA23840106-Exclusion of Terrorism (2)
SA23850106-Exclusion of Terrorism involving Nuclear, Biological (45)
SA25240507-Comprehensive Deductible-Garage (0)
SA31100507-New Auto Replacement Endorsement (0)

Reference: § 379.321.1, RSMo

B. State Auto Mutual Insurance Company Commercial Automobile Underwriting and Rating

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

The following are the results of the reviews:

Underwriting

Field Size:	41
Sample Size:	41
Type of Sample:	Census
Number of Errors:	6
Error Ratio:	14.6%
Within DIFP Guidelines:	No

1. The examiners found that the Company failed to charge the insured the correct policy premium by using incorrect fleet adjustment factors.

Policy Number	Premium Undercharge Amount
BAP4409889	$54
BAP4421707	$15

Reference: §379.321.1, RSMo, Policy Provisions, and Statistical Error

2. The examiners found that the Company failed to charge the insured the correct policy premium by using an incorrect rating territory (36 instead of two) concerning the following policy file.

Policy Number	Premium Undercharge Amount
BAP4433047	$107

Reference: §379.321.1, RSMo, Policy Provisions, and Statistical Error

3. The examiners found that the Company failed to charge the insured the correct premium because it used an incorrect Uninsured Motorist loss costs and an Independent Risk Premium Modifier (IRPM) factor.

Policy Number	Premium Undercharge Amount
BAP4433128	$36

Reference: §379.321.1, RSMo, Policy Provisions, and Statistical Error

4. The examiners found that the Company's documentation failed to indicate that the insured was charged the correct premium, in that it showed that the Company rated a vehicle on the policy as a leased vehicle when the policy application listed it as "solely owned by and registered applicant."

Policy Number	Premium Overcharge Amount
BAP4449930	$15

Reference: 20 CSR 100-8.040, Policy Provisions, and Statistical Error

5. The examiners found that the Company failed to maintain the policy records so as to clearly show the basis for the rating. The file failed to document the experience rating worksheets. Therefore, the examiners were unable to determine the basis for the rating.

   Policy Number

   BAP4423837

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

C. State Auto Property and Casualty Insurance Company Commercial Automobile Underwriting and Rating

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

The following are the results of the reviews:

Underwriting

Field Size:	505
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted.

D. State Auto Property and Casualty Insurance Company Private Passenger Automobile Underwriting and Rating

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

The following are the results of the reviews:

Underwriting

Field Size:	7,355 total 5,080 files dated pre-8/28/07 2,275 files dated post-8/28/07
Sample Size:	100 total 65 files dated pre-8/28/07 35 files dated post-8/28/07
Type of Sample:	Random
Number of Errors:	31 total 16 files dated pre-8/28/07 15 files dated post-8/28/07
Error Ratio:	31% total 24.6% of files dated pre-8/28/07 42.9% files dated post-8/28/07
Within DIFP Guidelines:	No

1. The examiners found that the Company failed to charge the insured the correct premium by failing to apply the anti-theft discount of 15% and the anti-lock braking system discount of 5%.

Policy Number	Premium Overcharge Amount
AMO0002647	$15
AMO0003394	$12
AMO4588388	$13
AMO0004395	$20
AMO5048264	$19
AMO5684023	$48
AMO0004933	$25
AMO0007498	$19
AMO0012017	$36
AMO0012102	$11
AMO2168586	$17
AMO2177656	$17
AMO4499510	$18

Reference: §§379.321.1. and 408.020, RSMo, Policy Provisions, and Statistical Error

2. The examiners found that the Company failed to charge the insured the correct premium by failing to apply the anti-theft discount of 15%.

Policy Number	Premium Overcharge Amount
AMO0000064	$6
AMO0002908	$11
AMO0003428	$28
AMO0003872	$15
AMO0004572	$13
AMO4525265	$13

Reference: §§379.321.1. and 408.020, RSMo, Policy Provisions, and Statistical Error

3. The examiners found that the Company failed to charge the insured the correct premium by failing to apply the anti-lock braking system discount of 5%.

Policy Number	Premium Overcharge Amount
AMO0003057	$9
AMO5038186	$7
AMO5691034	$8
AMO4476055	$10

Reference: §§379.321.1. and 408.020, RSMo, Policy Provisions, and Statistical Error

4. The examiners found that the Company failed to charge the insured the correct premium by either applying an anti-theft discount of 15% when it did not apply or incorrectly applying it when only a 5% discount applied.

Policy Number	Premium Undercharge Amount
AMO0002469	$38
AMO0002878	$9
AMO4510563	$22

Reference: §379.321.1, RSMo, Policy Provisions and Statistical Error

5. The Company failed to charge the insured the correct premium by applying the anti-lock braking system discount of 5% when it did not apply.

Policy Number	Premium Undercharge Amount
AMO0004135	$10
AMO5013967	$6
AMO1923450	$8

Reference: §379.321.1, RSMo, Policy Provisions and Statistical Error

6. The examiners found that the Company failed to charge the insured the correct premium by applying the wrong territory.

Policy Number	Premium Overcharge Amount
AMO0003339	$13

Reference: §§379.321.1. and 408.020, RSMo, Policy Provisions and Statistical Error

7. The examiners found that the Company failed to charge the insured the correct premium by applying the wrong territory creating the following undercharge amount.

Policy Number	Premium Undercharge Amount
AMO0012005	$34

Reference: §379.321.1, RSMo, Policy Provisions and Statistical Error

E. State Auto National Insurance Company Private Passenger Automobile Underwriting and Rating

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

The following are the results of the reviews:

Underwriting

Field Size:	717
Sample Size:	100
Type of Sample:	Random
Number of Errors:	1
Error Ratio:	1%
Within DIFP Guidelines:	Yes

1. The examiners found that the Company failed to document the policy file with the actual completed application which is required for policies issued and maintained for the duration of the current policy term plus two calendar years.

Policy Number

*NSA0270188

Reference: 20 CSR 300-2.200(3)(A)1.B (as amended 20 CSR 100-8.040(3)(A)1, eff. 7/30/08).

2. The examiners found that the Company failed to document the policy file with a signed Driver Exclusion Endorsement excluding a person in the insured's household.

Policy Number

*NSA0270188

Reference: 20 CSR 300-2.200(3)(A)1 (as amended 20 CSR 100-8.040(3)(A), eff. 7/30/08).

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

F. Meridian Security Insurance Company Private Passenger Automobile Underwriting and Rating

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

The following are the results of the reviews:

Underwriting

Field Size:	1,672
Sample Size:	100
Type of Sample:	Random
Number of Errors:	7

1. The examiners found that the Company failed to charge the insured the correct premium by applying the wrong territory.

Policy Number	Premium Overcharge Amount
AMO0016157	$16
AMO0016552	$11

Reference: §§379.321.1. and 408.020, RSMo, Company Underwriting Guidelines, Policy Provisions, and Statistical Error

2. The examiners found that the Company failed to apply the youthful driver household factor to the policy premium.

Policy Number	Premium Undercharge Amount
AMO0015992	$243
AMO0016820	$87

Reference: §379.321.1, RSMo, Company Underwriting Guidelines, Policy Provisions, and Statistical Error

3. The examiners found that the Company failed to charge the insured the correct premium by using an incorrect credit rating factor.

Policy Number	Premium Overcharge Amount
AMO0005599	$55

Reference: §§379.321.1. and 408.020, RSMo, Policy Provisions, and Statistical Error

4. The examiners found that the Company failed to charge the insured the correct premium by applying the wrong territory.

Policy Number	Premium Overcharge Amount
AMO0015957	$72

Reference: §§379.321.1. and 408.020, RSMo, Company Underwriting Guidelines, Policy Provisions, and Statistical Error

5. The Company failed to charge the insured the correct premium by applying the anti-lock braking system discount of 5% when it did not apply.

Policy Number	Premium Undercharge Amount
AMO0016883	$13

Reference: §379.321.1, RSMo, Policy Provisions and Statistical Error

G. State Auto Mutual Insurance Company Commercial Automobile Cancellations, Non-Renewals, Rescissions, and Declinations

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

The following are the results of the reviews:

1. Cancellations Within 60 Days

Field Size:	5
Sample Size:	5
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted.

2. Cancellations After 60 Days

Field Size:	0
Sample Size:	0
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted or found, as the Company forwarded the examiners correspondence explaining that no cancellations existed after 60 days.

3. Non-renewals

Field Size:	3
Sample Size:	3
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted.

H. State Auto Property and Casualty Insurance Company Commercial Automobile Cancellations, Non-Renewals, Rescissions, and Declinations

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

The following are the results of the reviews:

1. Cancellations Within 60 Days

Field Size:	5
Sample Size:	5
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted.

2. Cancellations After 60 Days

Field Size:	122
Sample Size:	122
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted.

3. Non-renewals

Field Size:	21
Sample Size:	21
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	4.8%
Within DIFP Guidelines:	Yes

1. The examiners found that the Company failed to provide or send a nonrenewal notice to the insured stating the Company's actual reason for nonrenewal of the commercial auto policy.

Policy Number

BAP20811480507

Reference: § 379.883(3) RSMo and Policy Provisions

I. State Auto Property and Casualty Insurance Company Private Passenger Automobile Cancellations, Non-Renewals, Rescissions, and Declinations

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

The following are the results of the reviews:

1. Cancellations Within 60 Days

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted.

2. Cancellations After 60 Days

Field Size:	685
Sample Size:	100
Type of Sample:	Random
Number of Errors:	2

1. The examiners found that the Company failed to provide or send a cancellation notice to the insured stating the Company's actual reason for nonrenewal of the private passenger auto policies.

Policy Number

AMO0005138
AMO5727956

Reference: § 379.120 RSMo and Policy Provisions

3. Non-renewals

Field Size:	57
Sample Size:	57
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted.

J. State Auto National Insurance Company Private Passenger Automobile Cancellations, Non-Renewals, Rescissions, and Declinations

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

The following are the results of the reviews:

1. Cancellations Within 60 Days

Field Size:	73
Sample Size:	73
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted.

2. Cancellations After 60 Days

Field Size:	310
Sample Size:	100
Type of Sample:	Random
Number of Errors:	1

1. The examiners found that the Company failed to provide or send a cancellation notice to the insured stating the Company's actual reason for nonrenewal of the private passenger auto policy.

Policy Number

NSA0271792

Reference: § 379.120 RSMo and Policy Provisions

3. Non-renewals

Field Size:	8
Sample Size:	8
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted.

K. Meridian Security Insurance Company Private Passenger Automobile Cancellations, Non-Renewals, Rescissions, and Declinations

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

The following are the results of the reviews:

1. Cancellations Within 60 Days

Field Size:	22
Sample Size:	22
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted.

2. Cancellations After 60 Days

Field Size:	73
Sample Size:	73
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

No exceptions in handling were noted

3. Non-renewals

Field Size:	3
Sample Size:	3
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	33.3%
Within DIFP Guidelines:	No

1. The examiners found that the Company failed to provide or send a nonrenewal notice to the insured stating the Company's actual reason for nonrenewal of the private passenger auto policy.

Policy Number

AMO001632901

Reference: § 379.120 RSMo and Policy Provisions

L. Practices Not in the Best Interest of Consumers

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

The examiners discovered no issues or concerns.

II. CLAIMS PRACTICES

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

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners reviewed a statistical sampling of the claims processed. The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. The review consisted of Missouri claims selected from a listing furnished by the Company with a date of closing from January 1, 2007, through December 31, 2007.

A claim file is determined in accordance with 20 CSR 100-8.040 and the NAIC *Market Regulation Handbook*. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.1000 – 375.1018 and §375.445) and compared with the NAIC benchmark error rate of seven percent (7%). Error rates in excess of the NAIC [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.

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

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

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

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

A. State Auto Mutual Insurance Company Commercial Auto Physical Damage Claims Paid

1. Claims Time Studies

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

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

B. State Auto Mutual Insurance Company Commercial Auto Subrogation Claims Paid

1. Claims Time Studies

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

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	50.0%
Within DIFP Guidelines:	No

The examiners noted the following exception during their review:

1. The examiners found that the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies and failed to effectuate a prompt, fair settlement of a claim when liability became reasonably clear. The Company took 527 days to file the insured's claim in arbitration.

   Claim Number

   DELI-4407017-060905

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

2. Unfair Settlement and General Handling Practices

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

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

C. State Auto Mutual Insurance Company Commercial Auto Physical Damage Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

D. State Auto Mutual Insurance Company Commercial Auto Subrogation Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

E. State Auto Property and Casualty Insurance Company Paid Commercial Auto Physical Damage Claims

1. Claims Time Studies

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

Field Size:	135
Sample Size:	135
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	135
Sample Size:	135
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

F. State Auto Property and Casualty Insurance Company Paid Commercial Auto Uninsured/Underinsured Motorist Claims

1. Claims Time Studies

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

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

G. State Auto Property and Casualty Insurance Company Paid Commercial Auto Subrogation Claims

1. Claims Time Studies

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

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	2
Error Ratio:	16.7%
Within DIFP Guidelines:	No

The examiners noted the following exceptions during their review:

1. The examiners found that the Company failed to reimburse the insured 38% of the insured's $250 deductible ($95) after recovering that percentage from the adverse carrier.

   Claim Number

   SCIE-2082966-120406

Reference: §375.1007(4), RSMo, Policy Provisions, and Statistical Error

2. The examiners found that the Company failed to document the file clearly showing the inception, handling and disposition of the claim. The file failed to document if the police report that was sent, was or was not received and how the decision was made to cease subrogation efforts.

   Claim Number

   GOUR-9505398-122705

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

H. State Auto Property and Casualty Insurance Company Commercial Auto Physical Damage Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	25
Sample Size:	25
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	25
Sample Size:	25
Type of Sample:	Census
Number of Errors:	1
Error Ratio:	4%
Within DIFP Guidelines:	Yes

The examiners noted the following exception during their review:

1. The examiners found that the Company failed to document the file with a copy of a Missouri sales tax affidavit concerning the insured's and claimant's total loss vehicles.

   Claim Number

   BAP20220572002070101

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

I. State Auto Property and Casualty Insurance Company Commercial Auto Uninsured/Underinsured Motorist Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

J. State Auto Property and Casualty Insurance Company Commercial Auto Subrogation Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

K. State Auto Property and Casualty Insurance Company Paid Private Passenger Auto Physical Damage Claims

1. Claims Time Studies

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

Field Size:	928
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	928
Sample Size:	100
Type of Sample:	Random
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

L. State Auto Property and Casualty Insurance Company Paid Private Passenger Auto Medical Payments Claims

1. Claims Time Studies

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

Field Size:	33
Sample Size:	33
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	33
Sample Size:	33
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

M. State Auto Property and Casualty Insurance Company Private Paid Passenger Auto Bodily Injury Claims

1. Claims Time Studies

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

Field Size:	45
Sample Size:	45
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	45
Sample Size:	45
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

N. State Auto Property and Casualty Insurance Company Paid Private Passenger Auto Uninsured/Underinsured Motorists Claims

1. Claims Time Studies

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

Field Size:	8
Sample Size:	8
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	8
Sample Size:	8
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

O. State Auto Property and Casualty Insurance Company Paid Private Passenger Auto Subrogation Claims

1. Claims Time Studies

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

Field Size:	61
Sample Size:	61
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Subrogation claims paid during the examination period.

Field Size:	61
Sample Size:	61
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

P. State Auto Property and Casualty Insurance Company Paid Private Passenger Auto Total Loss Claims

1. Claims Time Studies

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

Field Size:	36
Sample Size:	36
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Loss claims paid during the examination period.

Field Size:	36
Sample Size:	36
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

Q. State Auto Property and Casualty Insurance Company Private Passenger Auto Physical Damage Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	123
Sample Size:	123
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Physical Damage claims closed without payment during the examination period.

Field Size:	123
Sample Size:	123
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

R. State Auto Property and Casualty Insurance Company Private Passenger Auto Medical Payments Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	18
Sample Size:	18
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Physical Damage claims closed without payment during the examination period.

Field Size:	18
Sample Size:	18
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

S. State Auto Property and Casualty Insurance Company Private Passenger Auto Bodily Injury Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	7
Sample Size:	7
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Bodily Injury claims closed without payment during the examination period.

Field Size:	7
Sample Size:	7
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

T. State Auto Property and Casualty Insurance Company Private Passenger Auto Uninsured/Underinsured Motorists Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Bodily Injury claims closed without payment during the exam period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

U. State Auto Property and Casualty Insurance Company Private Passenger Auto Subrogation Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	19
Sample Size:	19
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Subrogation claims closed without payment during the examination period.

Field Size:	19
Sample Size:	19
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

V. State Auto Property and Casualty Insurance Company Private Passenger Auto Total Loss Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Loss claims closed without payment during the examination period.

Field Size:	12
Sample Size:	12
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

W. State Auto National Insurance Company Private Passenger Paid Auto Physical Damage Claims

1. Claims Time Studies

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

Field Size:	59
Sample Size:	59
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Physical Damage Claims paid during the examination period.

Field Size:	59
Sample Size:	59
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

X. State Auto National Insurance Company Private Passenger Paid Auto Medical Payments Claims

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Medical Payments Claims paid during the examination period.

Field Size:	4
Sample Size:	4
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Medical Payments Claims paid during the examination period.

Field Size:	4
Sample Size:	4
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

Y. State Auto National Insurance Company Private Passenger Paid Auto Bodily Injury Claims

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Bodily Injury Claims Paid during the examination period.

Field Size:	8
Sample Size:	8
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Bodily Injury Claims paid during the examination period.

Field Size:	8
Sample Size:	8
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

Z. State Auto National Insurance Company Private Passenger Paid Auto Uninsured/Underinsured Motorists Claims

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Uninsured/Underinsured Motorists Claims paid during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Uninsured/Underinsured Motorists Claims paid during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AA. State Auto National Insurance Company Private Passenger Paid Auto Subrogation Claims

1. Claims Time Studies

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

Field Size:	5
Sample Size:	5
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Subrogation Claims paid during the examination period.

Field Size:	5
Sample Size:	5
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AB. State Auto National Insurance Company Private Passenger Paid Auto Total Loss Claims

1. Claims Time Studies

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

Field Size:	3
Sample Size:	3
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Claims paid during the examination period.

Field Size:	3
Sample Size:	3
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AC. State Auto National Insurance Company Private Passenger Auto Physical Damage Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	23
Sample Size:	23
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Physical Damage Claims closed without payment during the examination period.

Field Size:	23
Sample Size:	23
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AD. State Auto National Insurance Company Private Passenger Auto Medical Payments Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	7
Sample Size:	7
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

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

The examiners noted the following exceptions during their review:

1. The examiners found that the Company failed to disclose all pertinent benefits and coverages to a first party claimant. The file failed to document $1,000 Medical Payments coverage was available to an injured, insured passenger.

   Claim Number

   *NSA20301622004052101

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

2. The examiners found that the Company failed to provide all claim forms, instructions and reasonable assistance to first party claimants within 10 working days. The Company failed to provide the insured passenger with a Medical Payments Coverage claim form when it discovered the claimant passenger was injured.

   Claim Number

   *NSA20301622004052101

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

3. The Company offset the Medical Payments coverage of $1,000 by paying the insured passenger's Bodily Injury claim amounting to $9,000. No Medical Payments Coverage payment was documented in the file, nor was it documented being offered to a first party claimant.

   Claim Number

   *NSA20301622004052101

Reference: §379.110(3), RSMo, 20 CSR 500-2.100 and 20 CSR 300-2.200 (as amended, 20 CSR 100-8.040, eff. 7/30/08)

4. The Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies, failed to attempt in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability become reasonably clear and failed to promptly settle claims where liability has become reasonably clear under one portion of the insurance policy in order to influence settlements under other portions of the insurance policy coverage. The Company failed to offer or settle the Medical Payments Coverage claim of the injured, insured passenger. The policy provided $1,000 coverage for Medical Payments for first party claimants. Therefore, the claim was underpaid by $1,000.

   Claim Number

   *NSA20301622004052101

Reference: §§ 375.1007(3), (4), (15), and 408.020 RSMo

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

AE. State Auto National Insurance Company Private Passenger Auto Bodily Injury Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	3
Sample Size:	3
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Bodily Injury Claims closed without payment during the examination period.

Field Size:	3
Sample Size:	3
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AF. State Auto National Insurance Company Private Passenger Auto Subrogation Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Subrogation Claims closed without payment during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AG. State Auto National Insurance Company Private Passenger Auto Total Loss Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Loss Claims closed without payment during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AH. Meridian Security Insurance Company Private Passenger Paid Auto Physical Damage Claims

1. Claims Time Studies

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

Field Size:	68
Sample Size:	68
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Physical Damage Claims paid during the examination period.

Field Size:	68
Sample Size:	68
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AI. Meridian Security Insurance Company Private Passenger Paid Auto Medical Payments Claims

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Medical Payments Claims paid during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Medical Payments Claims paid during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AJ. Meridian Security Insurance Company Private Passenger Paid Auto Bodily Injury Claims

1. Claims Time Studies

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

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Bodily Injury Claims paid during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AK. Meridian Security Insurance Company Private Passenger Paid Auto Uninsured/Underinsured Motorists Claims

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Uninsured/Underinsured Motorists Claims paid during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri Private Passenger Auto Uninsured/Underinsured Motorists Claims paid during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AL. Meridian Security Insurance Company Private Passenger Paid Auto Subrogation Claims

1. Claims Time Studies

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

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Subrogation Claims paid during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AM. Meridian Security Insurance Company Private Passenger Paid Auto Total Loss Claims

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri Private Passenger Auto Total Loss Claims paid during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Loss Claims paid during the examination period.

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AN. Meridian Security Insurance Company Private Passenger Auto Physical Damage Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	11
Sample Size:	11
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Physical Damage Claims closed without payment during the examination period.

Field Size:	11
Sample Size:	11
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AO. Meridian Security Insurance Company Private Passenger Auto Medical Payments Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	2
Sample Size:	2
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AP. Meridian Security Insurance Company Private Passenger Auto Bodily Injury Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

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 Bodily Injury Claims closed without payment during the examination period.

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AQ. Meridian Security Insurance Company Private Passenger Auto Uninsured/Underinsured Motorists Claims Closed Without Payment

1. Claims Time Studies

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

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

2. Unfair Settlement and General Handling Practices

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

Field Size:	1
Sample Size:	1
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0.0%
Within DIFP Guidelines:	Yes

The examiners discovered no issues or concerns.

AR. Practices Not in the Best Interest of Consumers

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

The examiners discovered no issues or concerns.

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, 2007. The registry contained a total of eight complaints. They reviewed all six that went through the DIFP and both that did not come through the Department, but went directly to the Company.

A. State Auto Insurance Group Complaints Sent Directly to the DIFP

The review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by §375.936(3), RSMo, and 20 CSR 300-2.200(3)(D) (as amended 20 CSR 100-8.040(3)(D), eff. 7/30/08).

The examiners discovered no issues or concerns.

B. State Auto Insurance Group Complaints Sent 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), eff. 7/30/08).

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	62	100 %
Received outside time-limit, incl. any extensions	0	0.0 %
No Response	0	0.0 %
Total	62	100 %

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200 (as amended 20 CSR 100-8.040, eff. 7/30/08)

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
Received w/in time-limit, incl. any extensions	2	100 %
Received outside time-limit, incl. any extensions	0	0.0 %
No Response	0	0.0 %
Total	2	100 %

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200 (as amended 20 CSR 100-8.040, eff. 7/30/08)

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of State Auto Insurance Group (NAIC Group #0175), Examination Number 0811-20-TGT. This examination was conducted by Scott B. Pendleton, Dale C. Hobart, and Dennis R. Foley. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated November 3, 2009. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

_____

Jim Mealer Date
Chief Market Conduct Examiner

December 14, 2009

VIA FEDERAL EXPRESS

Mr. John M. Huff, Director
Department of Insurance
Financial Institutions
and Professional Registration
Maryland Insurance Administration
301 West High Street,
Room 530
P.O. Box 690
Jefferson City, Missouri
65102-0690

Re: Missouri Market Conduct Examination #0811-20-TGT
State Auto Insurance Group (NAIC #0175)

Dear Mr. Duff,

The purpose of this letter is to set forth State Auto Insurance Group's, ("State Auto"), response to the Final Draft Market Conduct Examination Report. ("Draft Report") dated November 3, 2009 and provided to us under Carolyn H. Kerr's cover letter dated November 13, 2009.

This response will address State Auto's various exceptions to the Draft Report. State Auto understands that this response becomes part of the official record in conjunction with the Draft Report. It should be understood that if a particular exam finding is not referred to in this letter that would indicate State Auto did not disagree with the exam finding in that particular section of the Draft Report.

It should be noted that none of these comments or any of our actions are admissions to any of the alleged violations and should not be interpreted by the Missouri Department of Insurance or any other party as constituting and admission. We are providing these comments and taking actions without waiving any defenses, legal or equitable, and without waving any applicable privilege in connection with the information provided.

This response will address each exam finding by topic area.

I. Underwriting and Rating Practices

A. Forms and Filings (p. 18)

Company Response: The ten forms listed below, at the time of the Exam were not filed with the Department. However, those forms have since been filed, without modification, and approved for use by the Department.

IL 12 01 04 93 – Policy Changes
Form F 08 99 – Uniform Motor Carrier Endorsement (6)
MC-17 12 85 – Manuscript (2)
IL 00 03 07 02 – Calculation of Premium (650)
SA 10 24 05 07 – Comprehensive Coverage Deductible Endorsement (45)
SA 23 24 05 07 – Comprehensive Deductible Endorsement – Truckers (0)
SA 23 84 01 06 – Exclusion of Terrorism (2)
SA 23 85 01 06 – Exclusion of Terrorism involving Nuclear, Biological (45)
SA 25 24 05 07 – Comprehensive Coverage Deductible – Garage (0)
SA 31 10 05 07 – New Auto Replacement Endorsement (0)

B. Underwriting and Rating Commercial Auto Sate Auto Mutual Insurance Co. (p. 20)

State Auto disagrees with the number of errors being listed as six. State Auto believes the errors should be listed as five.

Reference: Policy Provisions, Statistical Error

4. The examiners found that the Company failed to charge the insured the correct premium by rating vehicle number 014 on the policy as a leased vehicle when the policy application listed it as "solely owned by the registered applicant", creating the following overcharge amount.

Policy Number	Overcharge Amount
BAP444993	$15

Company Response: In fact, the policy application for policy # BAP444993 is incorrect. The insured verified that vehicle number 014, a 1994 Lincoln Limo, s/n 1LNLM81W3RY717778 was a leased vehicle in June of 2001 when it was added to the policy. **(See Exhibit A)**

F. Meridian Security Insurance Company Private Passenger Automobile Underwriting and Rating (p. 26)

2. The examiners found that the Company failed to apply the youthful driver household factor to the policy premium.

Policy Number	Premium Undercharge Amount
AMO 0015992	$243

Company Response: We respectfully disagree with the examiners review. Both drivers are listed, Driver Attribute LST, but not rated. They have insurance elsewhere. We have a general rule in the manual under driver status indicating that we list all drivers in the household on our auto policies, even if they are not rated drivers. Since we do not rate for drivers that are only "listed," the household factor does not apply. All "rated" drivers are over the age of 21. **(See Exhibit B)**

3. The examiners found that the Company failed to charge the insured the correct premium by using an incorrect credit rating factor.

Policy Number	Premium Overcharge Amount
AMO 0005599	$55

Company Response: We respectfully disagree with the examiners review. At the time the policy was rated we ran credit on the first driver listed only. In this case , the insured's credit score at the time was 760 (authorization code 07760099, where 07 is the year ordered, 760 is the credit score, 09 is the month ordered, and the final digit is random.) The credit factor of .67 was correct for both drivers. **(See Exhibit C)**

II. Claims Practices

B. State Auto Insurance Company commercial Auto Subrogation Claims Paid. (p. 37)

1. Claims Time Studies

Company response: This sample was extremely small and clearly not a good representation of State Auto's claims handling ability and practices.

G. State Auto Property and Casualty Insurance Company Commercial Auto Subrogation Claims Paid

2. Unfair Settlement and General Handling Practices

Company Response: This was two separate accidents that occurred close in time at the same scene.

Accident #1: State Auto insured rear ended a stopped vehicle totaling the State Auto insured vehicle and caused more than $250 damage to the front if the insured State Auto vehicle . **(See Exhibit D)**

Accident #2: A State Farm insured collided with rear end of the State Auto insured vehicle causing only rear end damage to the State Auto vehicle. No deductible amount was applied to the State Auto insured for this rear end collision caused by the State Farm insured. This collision result in a recovery from the State Farm insured that lowered the salvage value received for the State Auto vehicle as a result of the first accident which totaled the vehicle. **(See Exhibit D)**

AD. State Auto National Company Private Passenger Auto Medical Payments Claims Closed Without Payment

2. Unfair Settlement and General Handling Practices (p. 60-61)

Company Response:

1. State Auto respectfully disagrees. Discussions with insured passenger indicate medical payments and bodily injury coverages were discussed. The insured passenger was to submit medical bills and provide a medical authorization so medical records could be obtained to confirm the treatment was accident related. **(See Exhibit E)**

The insured passenger became represented by an attorney who filed suit. Once suit was filed and liability was further investigated, a compromised settlement was reached for any and all claims, including medical payments.

2. Upon receipt of the claim, we had minimal information concerning the insured passenger. We attempted to contact the passenger. In cases such as this, we generally prefer to speak with the party to explain the form being sent so they understand what the form is for before they receive it.

3. Please refer to number 1 above.

4. State Auto respectfully disagrees. Prior to this time, we had spoken to the insured passenger twice and discussed medical payments and bodily injury coverages. We explained that we needed the medical authorization to review the

medical records in order to consider the medical payments and bodily injury claim.

The insured's attorney is the party who made us aware the insured passenger had retained legal representation. The insured passenger did not return the medical authorization for our handling. We did not hear from the insured passenger's attorney until after suit was filed March 3, 2005. After counsel was involved by State Auto and discovery was conducted a compromised settlement was ultimately reached. **(See Exhibit E)**

Conclusions

State Auto takes regulatory compliance very serious. State Auto submits that any alleged Market Conduct regulatory violations have been properly addressed and will periodically be addressed in the future as a part of an ongoing training and/or process and procedure review and update. The exam did not reveal significant issues where Missouri citizens or State Auto insureds were substantively mistreated, denied statutory protection or insurance benefits. Generally, the alleged violations related to more administrative detail type issues. On balance, the Company believes the report confirms it deals with its customers and Missouri citizens fairly and in compliance with the letter and spirit of Missouri law. State Auto has and always will be a friend you can trust.

Respectfully submitted,

Patrick M. Dukes
Compliance Officer
State Auto Insurance Companies