



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Notice of Adoption and Filing of Examination Report

Take notice that the proposed report of the market conduct examination of the

Auto Club Insurance Association
1 Auto Club Dr
Dearborn MI 48126

dated August 15-25, 2005, and served upon the company on October 18, 2006, has been adopted as the final report, and has been placed on file as an official public record of this Office.

Dated at Madison, Wisconsin, this 21 day of December, 2006.

A handwritten signature in black ink, appearing to read 'Clare Stapleton-Concord'.

Clare Stapleton-Concord
Acting Commissioner of Insurance

**STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE**

MARKET CONDUCT EXAMINATION

OF

**AUTO CLUB INSURANCE ASSOCIATION
DEARBORN, MICHIGAN**

AUGUST 15-25, 2005

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Jorge Gomez, Commissioner

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Honorable Jorge Gomez
Commissioner of Insurance
Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination
was conduct August 15 to August 25, 2005 of:

AUTO CLUB INSURANCE ASSOCIATION
Dearborn, Michigan

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

The company began business March 1, 1922, under the laws of Michigan as the Detroit
Automobile Inter-Insurance Exchange. The present name was adopted on July 1, 1981. The
company was licensed in Wisconsin September 3, 1996. During the examination period, the
company was licensed in Maine, Michigan, Minnesota, New Hampshire, New York,
Pennsylvania, and Wisconsin. The company writes homeowners and personal passenger
automobile insurance in Wisconsin. During 2003 and 2004, the company wrote the following
nationwide and Wisconsin premiums:

Table with 4 columns: Year, National Direct Premium Written, Wisconsin Direct Premium Written. Rows for 2004 and 2003.

The majority of the premium earned by the company in 2003 and 2004 was for private passenger automobile, comprising approximately 80% and 81% of total premium earned for those years respectively. Homeowners earned premium in 2003 and 2004, comprised approximately 15% and 18%, respectively, of the total premium earned. During 2003 and 2004, the company earned the following premium and incurred the following losses in Wisconsin:

2004		
Line of Business	Premium Earned	Losses Incurred
Fire & Allied Lines	\$ -	\$ -
Homeowners/Farmowners	\$ 8,214,972	\$ 7,026,079
Commercial Multiple Peril	\$ -	\$ -
Worker's Compensation	\$ -	\$ -
Private Passenger Auto	\$ 37,699,669	\$ 25,895,359
Commercial Auto	\$ -	\$ -
All Others	\$ 628,555	\$ -
Total	\$ 46,543,196	\$ 32,921,438

2003		
Line of Business	Premium Earned	Losses Incurred
Fire & Allied Lines	\$ -	\$ -
Homeowners/Farmowners	\$ 5,038,013	\$ 3,047,716
Commercial Multiple Peril	\$ -	\$ -
Worker's Compensation	\$ -	\$ -
Private Passenger Auto	\$ 27,968,972	\$ 21,200,025
Commercial Auto	\$ -	\$ -
All Others	\$ 416,287	\$ (102,673)
Total	\$ 33,423,272	\$ 24,145,068

The Office of the Commissioner of Insurance received 92 complaints against the company between January 1, 2004 and December 31, 2004. A complaint is defined as 'a written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent.' The following table categorizes the complaints received against the company by type of policy and complaint reason. There may be more than one type of coverage and/or reason for each complaint.

Complaints Received

2004

Reason Type Coverage Type	Total No.	Underwriting.	Marketing & Sales.	Claims.	Plychldr Service.	Other
Personal Auto	70	15	8	43	29	
Commercial Vehicle						
Com Prop & Liability						
Home/Farmowner s	21	8		9	9	
Commercial Liability						
Worker's Comp Fidelity & Surety						
All Others	2		2			
Total	92	23	10	52	38	

2003

Reason Type Coverage Type	Total. No.	Underwriting No.	Marketing & Sales No.	Claims No.	Plychldr Service No.	Other No.
Personal Auto	43	12	9	20	21	
Commercial Vehicle						
Com Prop & Liability						
Home/Farmowners	13	6	2	5	1	
Commercial Liability						
Worker's Comp Fidelity & Surety						
All Others	1				1	
Total	57	18	11	25	23	

The company appeared on the above-average complaint lists for homeowners and automobile insurance in 2002, 2003, and 2004. The list is comprised of all companies with a premium volume of at least \$1 million, based on the prior year's premium volume, 6 or more complaints in the given year, and a complaint ratio above the average. The company's 2004 complaint ratio for homeowners insurance was .30 per \$100,000 of written premium and the Wisconsin average for all insurers writing homeowners insurance was .06 per \$100,000 of

written premium. The company's 2004 complaint ratio for automobile insurance was .22 per \$100,000 of written premium and the Wisconsin average for all insurers writing automobile insurance was .04 per \$100,000 of written premium. In 2003, 75% of the complaints received involved automobile insurance and 23% involved homeowners insurance. In 2004, 76% of the complaints received involved automobile insurance and 23% involved homeowners insurance.

The company's complaint history is addressed in the Policyholder service section of the report. The company stated that the emphasis it has placed on monitoring complaint patterns, efficiently responding to complaint issues and educating agents will result in relatively fewer complaints in future years.

II. PURPOSE AND SCOPE

A targeted examination was conducted to determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules. The examination focused on the period from January 1, 2004 through December 31, 2004. The scope of the examination was limited to a review of the company's practices and procedures for personal passenger automobile and homeowners insurance. In addition, the examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination.

The examination included a review of underwriting, marketing and sales, including eCommerce, policyholder service and complaints, producer licensing, policy forms and rates, claims, and company operations and management and including privacy.

The report is prepared on an exception basis and comments on those areas of the company's operations where adverse findings were noted.

The terms "the commissioner" and "OCI" refer to the Office of the Commissioner of Insurance.

The acronym "ACIA" refers to the Auto Club Insurance Association.

III. EXAMINATION FINDINGS

Policy Forms Review

The examiners reviewed 40 personal passenger automobile and 55 homeowner's insurance policy forms for compliance with Wisconsin insurance laws, rules, and court decisions. No exceptions were noted.

Marketing and Sales

The company markets its insurance products in Wisconsin, using both captive and independent producers, via radio, billboards, yellow pages, newspaper advertising, and a direct mail producer letter program. Responses from the direct mail program are distributed to field producers for further follow-up. The company does not employ telemarketers and does no direct solicitation via the Internet. Field producers also participate in tradeshow, Chamber of Commerce events, networking association groups, and travel shows. The company's Community Relations department also sponsors events, such as Child Safety Seat inspections. Producers often participate in these events and build relationships directly with the public.

The examiners reviewed the company's advertising materials for proper disclosures and whether or not any materials were misleading or deceiving. The company's procedures for approving advertising materials were reviewed, including procedures that ensure consumers on the "Do Not Contact" lists are not contacted. No exceptions were noted.

Electronic Commerce

The company's Internet website, www.autoclubgroup.com/wisconsin is used principally as a service delivery channel. The site contains information relative to auto, home, and boat insurance. A person may obtain a quote, make a payment, make changes to policy related information, or file a claim on-line for any of those lines of insurance. The feature to obtain an on-line auto quote requires a person to enter an e-mail address and a password before entering any personal information. The feature to obtain an on-line home or boat quote does not require

a password, but does request an e-mail address. The site also contains insurance safety tips and articles. The site also contains a feature to make a general claim inquiry. In addition, the site contains a privacy statement, including an opt-out form not to disclose information to non-affiliated third-parties.

Operations & Management

In response to the Privacy of Consumer Financial and Health Information interrogatories, the company provided copies of its cover letters to third-party claimants and the medical records department of third-party claimants which accompany its authorization form to furnish medical/employment information. The examiners found that the letters stated that medical billings must be turned over first to the claimant's own automobile insurer for payment consideration under the medical payments coverage in the claimant's own automobile policy. Section Ins 6.11 (3) (a) 4, Wis. Adm. Code, provides that it is an unfair claims settlement practice to fail to attempt in good faith to effectuate fair and equitable settlement of claims submitted in which liability has become reasonably clear. The company indicated the intent of the letters was to request medical records or the completion of a release to obtain medical records without creating the impression that the company would pay the third-party's medical bills as they were incurred. The company indicated that it would improve this cover letter to more clearly point out the options available to the third party.

- 1. Recommendation:** It is recommended that the company revise the language in its cover letters that accompanies its form to authorize release of medical/employment information so it does not imply that a third party claimant must first seek reimbursement from its own insurers before seeking reimbursement from the company, in order to comply with Ins. 6.11 (3) (a) 4, Wis. Adm. Code.

CLAIMS

The examiners reviewed the company's claims manuals containing adjusting procedures. No exceptions were noted. The examiners reviewed 295 claim files including 100

paid, 50 not paid, and 45 subrogation files for personal passenger automobile and 50 paid and 50 not paid for homeowners. The following exceptions were noted.

The examiners found four homeowners' files and three automobile subrogation files where the company either did not promptly pay the claim or reimburse its insured's deductible. Section 628.46, Wis. Stat., states, in part, that a claim is overdue if not paid within 30 days after the insurer is furnished written notice of the fact of a covered loss and the amount of the loss. When these files were brought to the attention of the company during the on-site examination, interest was paid to the insureds.

2. **Recommendation:** It is recommended that the company promptly pay claims and reimburse its insureds' deductibles and, if payment is not made within 30 days of receiving proof of loss or equivalent evidence, pay interest as required by s. 628.46 (1), Wis. Stat.

The examiners found four claim files where the company did not document all contacts with its claimants. Section Ins 6.11 (3) (a) 1, Wis. Adm. Code, provides that it is an unfair claims settlement practice to fail to acknowledge pertinent communications with respect to claims arising under insurance policies. Without complete and proper documentation to show contacts with claimants, it is difficult to determine whether the company is promptly acknowledging pertinent communications. The company responded that its current Centralized Regional Claim (CRC) Handling Guidelines instruct its claims representatives to document all contacts and failed contact attempts in the memo section of the file.

3. **Recommendation:** It is recommended that the company document all communications with claimants and follow its claim handling guidelines in order to document its compliance with s. Ins 6.11 (3) (a) 1, Wis. Adm. Code.

The examiners found five claims files where the company's initial contact with the insured was more than 10 days after the loss was reported. Subsection Ins 6.11 (3) (a) 1, indicates failure to promptly acknowledge pertinent communications with respect to claims arising under insurance policies would constitute an unfair claims settlement practice. Subsection (4) defines promptly as 10 consecutive days from receipt of a communication. The

company responded that its CRC Claim Handling Guidelines require that adjusters make initial contact within two business days from the date assigned and enter their contact memo into the system.

4. **Recommendation:** It is recommended that the company ensure its claims representatives adhere to the company's claims handling guidelines by promptly acknowledging pertinent communications with respect to claims arising under its policies as required by s. Ins 6.11, Wis. Adm. Code.

The examiners found two files where the company could not document that written denials of the claims had been sent after verbal denials. Also, one file was found where the company did not send a written denial after a verbal denial had been given. An additional file was found where a written denial was sent 35 days after the company had sufficient documentation to issue the denial. The company indicated that its normal procedure would be to send a written denial within 30 days after giving a verbal denial or after receiving sufficient documentation. Section Ins 6.11 (3) (a) 7, Wis. Adm. Code, states, in part, that it is an unfair claims settlement practice to fail to affirm or deny coverage of claims within a reasonable time.

5. **Recommendation:** It is recommended that the company enforce its current procedure to ensure a written claim denial is sent promptly after the claim is verbally denied or after sufficient documentation is received in order to comply with s. Ins 6.11(3), Wis. Adm. Code

In one file, the company requested reimbursement from the at-fault driver's insurer. An agreement was reached that the other driver was 95% at-fault and the company's driver was 5% at-fault. When requesting reimbursement, the company failed to include the amount it had paid for car rental.

Underwriting & Rating

The examiners reviewed 545 underwriting files; 100 each of new business, renewals, and terminations for personal passenger automobile and 95 new business, 100 renewals, and 50 terminations for homeowners. In addition, 25 homeowner's new business files were reviewed for accuracy in rating. The following exceptions were noted.

Number 18 of the Underwriting Interrogatories, asked the company to describe how it calculates return premium if an insured requests cancellation because of a misquote. The company responded that "all return premiums are calculated on a pro-rata basis. The refund is based on written premium, not quoted premium. By written premium, we mean correct new business premium, not quoted premium." Section 628.34 (1) (a), Wis. Stat., states, in part, that no person who is or should be licensed under chs. 600 to 646, may make or cause to be made any communication relating to an insurance contract or the insurance business which contains false or misleading information. It is OCI's position that the premium refund be calculated pro-rata based on the quoted premium so that the applicant is being charged according to the represented rate.

6. **Recommendation:** It is recommended that the company revise its procedure for calculating premium refunds requested by applicants whose premiums were misquoted resulting in a higher premium when the new policy was issued, by using the quoted premium rather than the written/corrected premium in order to comply with s. 628.34 (1) (a), Wis. Stat.

The examiners requested that the company provide data containing all personal passenger automobile policies that had been in-force at any time during the examination period of January 1 through December 31, 2004. In analyzing the data provided by the company, the examiners found that a number of policies did not contain medical payments coverage or contained medical payments coverage with a limit less than \$1,000. Section 632.32 (4) (b), Wis. Stat., states, in part, that every policy of insurance that insures with respect to any motor vehicle registered or principally garaged in this state against loss resulting from liability arising out of the ownership, maintenance, or use of a motor vehicle shall contain medical payments coverage in the amount of at least \$1,000 per person, unless the insured rejects the coverage. The company responded that its previous software system, PMSC, did not have sufficient system edits in place to force medical payments coverage unless rejected or to ensure the limit was at least \$1,000. The company's new policy software system, IPM, has edits in place to ensure medical payment coverage if not rejected and that the limit be at least \$1,000.

- 7. Recommendation:** It is recommended that the company re-confirm through testing its IPM system that its automobile policies contain medical payments coverage, unless rejected by the insured, and contain limits of at least \$1,000 to ensure compliance with s. 632.32 (4) (b), Wis. Stats.

The examiners found one new business automobile file where the application indicated the applicant requested a \$50,000 medical payments coverage limit, but the declarations page indicated the company issued the policy with a \$5,000 limit. Section 628.34 (1) (a), Wis. Stat., states, in part, that no insurer may make or cause to be made any communication relating to an insurance contract which contains misleading information. It is misleading to issue a policy, other than as applied for, without notification to the applicant. The company responded that it appeared that the data entry operator entered a limit of "5" (meaning \$5,000) for medical payments coverage rather than "50" (meaning \$50,000).

- 8. Recommendation:** It is recommended that the company verify that information and coverage limits on the declarations page correspond to the information and coverage limits agreed to on the application and issue policies as they were applied for, in order to comply with s. 628.34 (1) (a), Wis. Stats.

Question 21 of the examiner's Producer Licensing interrogatories asked the company to describe how it verifies that all business it accepts is written by agents who are duly listed for the company, as provided in ss. 628.11, Wis. Stat., and Ins 6.57 (5), Wis. Adm. Code. During the examination period, the company's system was manual for its independent agents and only an agency code was assigned. Each agent was not assigned his/her own producer code in order to submit applications. As of August 2005, the company implemented a system whereby each agent must have his/her own producer code before submitting an application. In reviewing the new business applications, one file was found where the agent submitting the application was not listed with the company. When asked how many applications this agent had submitted, the company responded that 8 applications had been submitted. Also, the examiners requested that the company provide a list consisting of each agent representing the company in Wisconsin as of December 31, 2004. The company's list was then compared to the commissioner's list of agents for the company. Two agents were found that showed on the

company's list of agents that did not show on the commissioner's list. When the company was asked how many applications were submitted by those agents, the company could not provide that information. Section 628.11, Wis. Stat., states, in part, that an insurer shall report to the Commissioner at such intervals as the Commissioner establishes by rule all appointments, including renewals of appointments, of insurance agents to do business in this state. Section Ins 6.57 (5), Wis. Adm. Code, states that no insurer shall accept business directly from any intermediary unless that intermediary is a licensed agent listed with that company.

- 9. Recommendation:** It is recommended the company continue with its new automated system instituted in August 2005, whereby agents are assigned individual numbers which ensures they must contact the company to establish an agent number prior to writing business, in order to comply with ss. 628.11, Wis. Stat., and Ins 6.57 (5), Wis. Adm. Code.

The examiners found two new business homeowners files where the bound dates indicated on the applications were prior to the effective dates on the issued policies and the applications. The company has been using an incorrect definition of bound date. Section 628.34 (1) (a), Wis. Stat., states, in part, that no insurer may make or cause to be made any communication relating to an insurance contract which contains misleading information. There should be no indication that coverage is bound on one date, but effective on a different, later date. The bound date should accurately reflect the effective date of the policy.

- 10. Recommendation:** It is recommended that the company change its application so that the bound date accurately reflects the effective date of the policy, in order to comply with s. 628.34 (1) (a), Wis. Stat.

The examiners requested that the company provide data containing all personal passenger automobile policies that had been in-force at any time during the examination period of January 1 through December 31, 2004. In analyzing the data provided by the company, the examiners found that 20 policies contained bodily injury (BI) liability coverage, but did not contain uninsured motorists (UM) coverage. Section 632.32 (4) (a), Wis. Stat., states, in part, that every policy of insurance that insures with respect to any motor vehicle registered or principally garaged in this state against loss resulting from liability imposed by law for bodily

injury or death suffered by any person arising out of the ownership, maintenance, or use of a motor vehicle shall contain uninsured motorist coverage. The company responded that its previous software system, PMSC, did not have sufficient system edits in place to force UM coverage if BI coverage was present. The company's new policy software (IPM) has system edits in place to force UM coverage if BI coverage is present.

- 11. Recommendation:** It is recommended that the company re-confirm through testing its IPM system that its automobile policies contain uninsured motorist coverage when the policies contain bodily injury liability coverage to ensure compliance with s. 632.32 (4) (a), Wis. Stats.

The examiners found one new business automobile file where the company did not timely issue the policy after the application and supplemental information was received. The company agreed it was not issued in a timely fashion. At the time this policy was issued, applications were entered by the Processing Department. Documents in the file reflect the application was submitted with an incorrect vehicle identification number (VIN) for vehicle 2. The policy processor contacted the agent to request the information and a signed supplemental application was received at the end of February. The correct VIN was received by fax on February 25, 2004. The company was unable to determine the cause of the delay in issuing the policy from this date until March 29, 2004. The issue has been eliminated by the company's Sales & Service Portal, implemented for business written on or after March 1, 2004, which has automated the policy issuance process.

The company's website includes the option for consumers to submit a quote request for automobile and homeowners insurance. The company stated that the information requested in the website quote forms is used by a licensed agent to develop a quote for insurance off-line and completing an insurance application off-line, if the customer is interested. To ensure the accuracy of the online quoting mechanism, the examiners submitted automobile and homeowners quote requests through the company's website. The examiners were contacted by a licensed agent regarding the automobile quote request and although a confirmation e-mail

was received for the homeowner's request, no further correspondence was received. The company stated they had received the quote request, however due to network problems the quote request was never forwarded to an agent for review. The company believes the network problems have since been resolved.

Policyholder Service & Complaints

The examiners reviewed a sample of 50 complaint files which included OCI complaints and complaints received directly by the insurance company. The following exceptions were noted.

The examiners asked the company to verify on six complaints it received from OCI whether the company contacted the complainant after receipt of the OCI complaint information. OCI includes a statement in its complaint letters to insurers that the insurer is to contact the complainant within 10 days in an effort to resolve the complaint. The company explained that it did not have documentation showing that it contacted the complainant after receiving the OCI complaint letter. However, the company further said, "effective immediately, the staff of ACIA Member Relations & Quality will make sure each Wisconsin complaint received will have documented complainant contact within 10 calendar days of our receipt of said complaint."

12. Recommendation: It is recommended that the company contact complainants within 10 days of receiving OCI complaint letters, in an effort to resolve the complaints and to allow the company to comply with s. 601.42, Wis. Stat. by responding to a request made by the commissioner.

During the review of complaint files at the company, the examiners found sixteen complaint files were not documented for contacts made or conclusions made. The company's response was, "We agree that we should have clearly documented the conclusion and resolution in our file. Effectively immediately, we will make sure all our complaint files contain clear resolutions and outcomes."

13. Recommendation: It is recommended that the company implement a procedure to document contacts made with a complainant and resolutions reached through a review of the complaint, to include OCI complaints and complaints received directly by the company over the phone or in writing.

The company has implemented a quality assurance process to help monitor activity on complaint handling. The company explained that its new internal process was started in 2004 by the manager of ACIA Member Relations & Quality. Currently a questionnaire guides the quality review conducted by the ACIA Member Relations & Quality manager. The company further explained that all files are reviewed after closing, and the intent of the review is to ensure that the case was handled in compliance with regulations, as well as all internal company procedures. The company expects that this quality assurance process will assist it in making further improvements and assure that database records and monthly complaint reports are accurate.

During a review of OCI complaints on-site portions of this examination, the examiners found that the company did not promptly respond to OCI in 14 of the 50 files reviewed at the company. OCI letters, form no. OCI 51-13A, sent to warn the company that it had not received a response to the complaint within the time period requested by OCI, were found in 14 complaint files. Responses to OCI complaints are required under the authority to request information under s. 601.42, Wis. Stat. In its response to the examination exception the company agreed that it had been late on complaint responses. The company further explained that it has implemented new procedures to improve its responsiveness to OCI complaints.

14. Recommendation: It is recommended that the company submit a plan to OCI and implement the planned procedures to assure that responses to OCI complaints are prepared and sent to OCI within the timeframes described in the OCI complaint letter, and the plan is to include a procedure to document extensions granted by OCI to the company for responding to the exceptional complaint where additional time is needed. This is recommended in order to assure compliance with s. 601.42, Wis. Stat.

Producer Licensing

To review the company's obligation to notify the commissioner of producers that are appointed or terminated, the examiners requested the company provide a list consisting of each producer representing the company in Wisconsin as of December 31, 2004. The company's list

was then compared to OCI's list of producers for the company. The results of the comparison were mentioned previously in the Underwriting and Rating section of the report.

IV. CONCLUSION

A total of 14 recommendations were made relating to the company's need to modify claims, underwriting, producer licensing, and policyholder service and complaints procedures.

The company must change its letters that accompany medical/employment information release forms sent to claimants. The company must also revise its claims procedures and follow its own guidelines to ensure interest is paid on claims not paid within 30 days of receiving proof of loss or equivalent evidence, all communications with insureds and claimants are documented in its files, prompt follow-up after the initial contact, and written denials are promptly sent after verbal denials.

In addition, the company must revise its method of calculating premium refunds in the case of a misquote, ensure that its automobile policies include the proper limits for medical payments and uninsured motorists coverages, verify that the requested coverage is included in the issued policy, provide training for its agents to properly complete the binding section of its applications, and proceed with its automated system to ensure agents submitting business are properly listed.

The company must also promptly contact complainants after receiving a complaint from OCI, implement a procedure to document how complaints were handled and resolved, and promptly reply to correspondence received from OCI.

V. SUMMARY OF RECOMMENDATIONS

Operations & Management

- Page 06 1. It is recommended that the company revise the language in its cover letters that accompanies its form to authorize release of medical/employment information so it does not imply that a third party claimant must first seek reimbursement from its own insurers before seeking reimbursement from the company, in order to comply with Ins. 6.11 (3) (a) 4, Wis. Adm. Code.

Claims

- Page 07 2. It is recommended that the company promptly pay claims and reimburse its insureds' deductibles and, if payment is not made within 30 days of receiving proof of loss or equivalent evidence, pay interest as required by s. 628.46 (1), Wis. Stat.
- Page 07 3. It is recommended that the company document all communications with claimants and follow its claim handling guidelines in order to document its compliance with s. Ins 6.11 (3) (a) 1, Wis. Adm. Code.
- Page 08 4. It is recommended that the company ensure its claims representatives adhere to the company's claims handling guidelines by promptly acknowledging pertinent communications with respect to claims arising under its policies as required by s. Ins 6.11, Wis. Adm. Code,
- Page 08 5. It is recommended that the company enforce its current procedure to ensure a written claim denial is sent promptly after the claim is verbally denied or after sufficient documentation is received in order to comply with s. Ins 6.11 (3), Wis. Adm. Code, .

Underwriting & Rating

- Page 09 6. It is recommended that the company revise its procedure for calculating premium refunds requested by applicants whose premiums were misquoted resulting in a higher premium when the new policy was issued, by using the quoted premium rather than the written/corrected premium in order to comply with s. 628.34 (1) (a), Wis. Stat.
- Page 10 7. It is recommended that the company re-confirm through testing its IPM system that its automobile policies contain medical payments coverage, unless rejected by the insured, and contain limits of at least \$1,000 to ensure compliance with s. 632.32 (4) (b), Wis. Stats.
- Page 10 8. It is recommended that the company verify that information and coverage limits on the declarations page correspond to the information and coverage limits agreed to on the application and issue policies as they were applied for, in order to comply with s. 628.34 (1) (a), Wis. Stats.

- Page 11 9. It is recommended the company continue with its new automated system instituted in August 2005, whereby agents are assigned individual numbers which ensures they must contact the company to establish an agent number prior to writing business, in order to comply with ss. 628.11, Wis. Stat., and Ins 6.57 (5), Wis. Adm. Code.
- Page 11 10. It is recommended that the company change its application so that the bound date accurately reflects the effective date of the policy, in order to comply with s. 628.34 (1) (a), Wis. Stat.
- Page 12 11. It is recommended that the company re-confirm through testing its IPM system that its automobile policies contain uninsured motorist coverage when the policies contain bodily injury liability coverage to ensure compliance with s. 632.32 (4) (a), Wis. Stats.

Policyholder Service & Complaints

- Page 13 12. It is recommended that the company contact complainants within 10 days of receiving OCI complaint letters, in an effort to resolve the complaints and to allow the company to comply with s. 601.42, Wis. Stat. by responding to a request made by the commissioner.
- Page 14 13. It is recommended that the company implement a procedure to document contacts made with a complainant and resolutions reached through a review of the complaint, to include OCI complaints and complaints received directly by the company over the phone or in writing.
- Page 14 14. It is recommended that the company submit a plan to OCI and implement the planned procedures to assure that responses to OCI complaints are prepared and sent to OCI within the timeframes described in the OCI complaint letter, and the plan is to include a procedure to document extensions granted by OCI to the company for responding to the exceptional complaint where additional time is needed. This is recommended in order to assure compliance with s. 601.42, Wis. Stat.

VI. ACKNOWLEDGEMENT

The courtesy and cooperation extended to the examiners during the course of the examination by the officers and employees of the company is acknowledged.

In addition, to the undersigned, the following representatives of the Office of the Commissioner of Insurance, state of Wisconsin, participated in the examination.

<u>Name</u>	<u>Title</u>
Drew Hunkins	Insurance Examiner
Katherine Otis	Insurance Examiner
David Champeau, CPCU	Insurance Examiner
Jamie Key, AIE	Senior Insurance Examiner
Jo A. LeDuc, CIE, CPCU	Senior Insurance Examiner
Philip B. Kress, CPCU, AIE	Section Chief

Respectfully submitted,

Rhonda Peterson, CPCU, CIE, AIC
Examiner-in-Charge