

EXECUTIVE SUMMARY

The Kansas Insurance Department (KID) performed a market conduct examination of the Auto Club. The period of examination was January 1, 2003 through August 31, 2005.

The examiners reviewed the company underwriting, claims, and rating manuals. The exam team reviewed underwriting, claim, and complaint files in company's Administrative office in St Louis, MO. A series of meetings were held with the Auto Club staff that focused on their current operations. To supplement and verify the understanding of how the company does business, a series of samples were selected for review to verify their procedures and practices in claims, underwriting and rating.

The company passed most tests; and in terms of delivering good service to its insureds, the examiners were impressed with the overall positive and very professional performance by the Auto Club staff and management to their policyholders. The exam team has made recommendations on several issues.

LIST OF RECOMMENDATIONS

Company Operations and Management

1. The exam team recommends that the Auto Club complete their formalizing an internal audit program for the claims department and look into developing similar programs for underwriting and policy processing.

Complaint Handling

1. The exam team recommends that the control and record keeping of the non-insurance department complaints be coordinated and maintained with the same unit that keeps department of insurance complaints.

Underwriting and Rating

1. The Company needs to re-file their ACFIC rating factor for PIP coverage. The Company revised their filing on 12/22/05.

2. The current ACIIE auto territory pages show Territory 24 comprising a single zip code. Given the small geographic size of one zip code and small population base of that area, it would appear that ACIIE may be in violation of K.S.A. 40-953. The exam team recommends that in the next rate filing, ACIIE look at this territory definition. This territory filing was approved twelve years ago. It wasn't until 1996 that KID began to look at territories closely to make sure that companies were not over segmenting.

3. The Auto Club should allow three days for mail time on all notices of cancellation and non-renewal in the interest of consistency.

The Company indicated that they are implementing a new procedure. The cancellation notice will be prepared far enough in advance that the policyholder will be given at least 10 days actual notice (3+ days for mailing and 10 days for the notice).

4. The Auto Club should review the “Kansas insurance score act” to make sure that their forms and underwriting activities conform to K.S.A. 40-5101 through 40-5114. The Company must present a plan to KID within 30 days from the issuance of the Final Order for this exam of how they are conforming to this recommendation.

5. The Company should review their underwriting cancellation and non-renewal procedures to insure that they are in compliance with K.S.A. 40-276, K.S.A. 276a and K.S.A. 40-277 and the “Kansas insurance score act”. The Auto Club must present a plan to KID within 30 days from the issuance of the Final Order for this exam of how they are conforming to this recommendation.

General Recommendation

1. The exam team recommends that a targeted follow up exam be completed in 15 months to insure that the Auto Club has taken the necessary steps to correct the problems cited in recommendations #4 and #5 of the Underwriting and Rating portion of this exam and are now complying with the Kansas Credit Scoring Act.