

EXECUTIVE SUMMARY

KID performed a targeted market conduct examination of the Auto Club. This targeted exam was a follow-up to a 2006 market conduct exam where certain deficiencies were identified, and the Company was subsequently ordered to implement changes in their rating and underwriting practices.

The exam team reviewed the Auto Club's general operations, underwriting and complaint files in the Company's home 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 currently is doing business, several samples were selected for review to verify their procedures and practices in complaint handling and underwriting and rating processes.

The Company passed most tests, and the examiners were impressed with the overall positive and very professional performance by the Auto Club staff and management.

THE FOLLOWING 2006 RECOMMENDATIONS WERE THE FOCUS OF THE 2008 TARGETED EXAM.

Underwriting and Rating

1. 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.

2. 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.

THE FOLLOWING RECOMMENDATIONS ARE THE RESULT OF THE 2008 TARGETED EXAM

Underwriting and Rating Recommendations

1. Overall the Company was within the tolerances for Standard 1. However due to a programming error, there was a group of 250 policyholders potentially affected by this oversight. 131 accounts did receive a refund from the Company due to this overcharge. The Auto Club should review their procedures to insure that future rate filings whether they be rate factor or rating methodology changes are correctly programmed into their processing system to be in compliance with K.S.A. 40-955 (a)(g).
2. The exam team recommends the Company prepare a filing for cancellation letters with appropriate language when a C.L.U.E. report is involved since the current letter allows the underwriter to free-form all such language. This will insure that the Auto Club is in compliance with K.S.A. 40-2,122; K.A.R. 40-3-31(b)(1); K.S.A. 40-5107 (b).