

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

In Re:)
)
CONSUMERS INSURANCE USA, INC.) **Market Conduct Examination No. 341435**
(NAIC #10204))

ORDER OF THE DIRECTOR

NOW, on this 12th day of July, 2021, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of Consumers Insurance USA, Inc. (NAIC #10204) (hereinafter "Consumers"), examination report number #341435, prepared and submitted by the Division of Insurance Market Regulation (hereinafter "Division") pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement ("Stipulation"), relating to the market conduct examination #341435, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

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

IT IS THEREFORE ORDERED that Consumers and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

¹ All references, unless otherwise noted, are to Revised Statutes of Missouri 2016, as amended, or to the Code of State Regulations, 2020, as amended.

IT IS FURTHER ORDERED that Consumers shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place it 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, and shall fully comply with all terms of the Stipulation.

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 12th day of July, 2021.



Chlora Lindley-Myers
Chlora Lindley-Myers
Director

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)
)
CONSUMERS INSURANCE USA, INC.) **Market Conduct Examination No. 341435**
(NAIC #10204))

STIPULATION OF SETTLEMENT

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and Consumers Insurance USA, Inc. (NAIC #10204) (hereinafter “Consumers”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter “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 of Missouri;

WHEREAS, Consumers has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct examination of Consumers, examination #341435; and

WHEREAS, based on the market conduct examination of Consumers, the Division alleges that:

1. In one instance, Consumers did not apply the claims free discount correctly in violation §379.321¹.
2. Consumers’ filed rate plan contained conflicting provisions related to the use of driving violations and claims free discount renewals in calculating comprehensive premiums in

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended or to the Code of State Regulations, 2020, as amended.

violation of §379.470.

3. Consumers' base rates were unfairly modified based upon the insured's driving record of violations or accidents and when the claims free discount was applied to the premium calculation in violation of §379.470 and 20 CSR 500-2.700 (1).

4. In 103 instances, Consumers failed to have a vehicle history score applied to the premium calculation in violation of §379.470.

5. In one instance, Consumers did not file a driver exclusion form used in a claim in violation of §375.920 and 20 CSR 500-2.100 (1).

6. In one instance, Consumers did not provide adequate details as to the reasons for cancelling an insured's policy in violation of §379.118.1 (3).

7. In four instances, Consumers did not send a claimant a letter within 45 days of initial notification and every 45 days thereafter setting forth the reasons additional time was needed for investigation implicating the provisions of §375.1007 (3) and in violation of 20 CSR 100-1.050 (1) (C).

8. In one instance, Consumers did not provide necessary claim forms, instructions, and reasonable assistance to a first party claimant within ten working days of notification of the claim implicating the provisions of §375.1007 (2) and in violation of 20 CSR 100-1.030 (3).

9. In four instances, Consumers did not complete their investigation of claims in a timely manner implicating the provisions of §375.1007 (3) and in violation of 20 CSR 100-1.050 (1).

10. In one instance, Consumers did not accept or deny liability within 15 days after submission of all forms necessary to determine coverage implicating the provisions of §375.1007 (4) and in violation of 20 CSR 100-1.050 (1) (A).

11. In two instances, Consumers did not maintain the claim file to clearly show the inception, handling, and disposition of the claim in violation of §374.205 and 20 CSR 100-8.040 (3) (B).

12. In 14 instances, Consumers did not maintain copies of sales tax affidavits attesting to the amount of the insurance proceeds and any deductible obligation paid by the claimants regarding total loss settlements in violation of §374.205 and 20 CSR 100-8.040 (3) (B) 3.

13. In two instances, Consumers did not fully disclose first party benefits, coverages, and other provisions implicating the provisions of §375.1007 (1) and in violation of 20 CSR 100-1.020 (1) (A).

14. In two instances, Consumers miscalculated sales tax for total loss vehicle settlements implicating the provisions of §375.1007 (4).

15. In one instance, Consumers did not properly investigate and settle with a third party claimant consistent with the liability decision documented in the claim file implicating the provisions of §375.1007 (3) and in violation of 20 CSR 100-1.050 (2).

16. In one instance, Consumers erroneously denied liability coverage for a driver based on an unfiled form implicating the provisions of §375.1007 (1) and in violation of 20 CSR 100-1.020.

WHEREAS, the Division and Consumers have agreed to resolve the issues raised in the market conduct examination as follows:

A. **Scope of Agreement.** This Stipulation of Settlement (hereinafter “Stipulation”) embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms

and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** Consumers has represented to the Department that it chose to voluntarily exit the private passenger automobile market in Missouri on January 17, 2018. In the event that Consumers re-enters the private passenger automobile market in Missouri, it agrees to take the following remedial actions bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably ensure that the errors noted in the market conduct examination and in this Stipulation do not recur.

1. Consumers agrees to file with the Director of the Department (hereinafter "Director") a new rate plan for private passenger automobile coverage correcting the previously conflicting provisions relating to the use of driving violations and claims free discount renewals in calculating comprehensive premium.

2. Consumers agrees not to apply a claims free discount to uninsured motorist or comprehensive coverage in conformity with 20 CSR 500-2.700.

3. Consumers agrees not to modify base rates for private passenger automobile coverage by applying a claims free discount to uninsured motorist coverage or comprehensive coverage.

4. Consumers agrees not to modify base rates for private passenger automobile coverage based upon an insured's driving record of violations or accidents.

5. Consumers agrees that it will apply vehicle history scores in a consistent manner in calculating private passenger automobile premium.

6. Consumers agrees that it will file with the Director all forms utilized in processing private passenger automobile claims.

7. Consumers agrees to adopt policies and procedures to ensure compliance with Missouri's claims settlement practices laws including §375.1007, 20 CSR 100-1.020, 20 CSR 100-1.030 and 20 CSR 100-1.050.

8. Consumers agrees to maintain claim files in a manner to clearly show the inception, handling, and disposition of the claim.

9. Consumers agrees that it will maintain copies of sales tax affidavits in Missouri total loss settlement claim files if Consumers policies permit the utilization of sales tax affidavits for reimbursing total loss claimants for the payment of sales tax.

C. **Compliance.** Consumers agrees within ten days of the entry of the final order to provide information on the finalization of settlement, including restitution, for the claim referenced in Section III.F.2. of the examination findings of the final market conduct examination report. If Consumers re-enters the private passenger automobile market in Missouri, it agrees to file documentation with the Division, in a format acceptable to the Division, within 30 days of the entry of a final order of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation. Such documentation is provided pursuant to §374.205.

D. **Ongoing Examination.** Consumers agrees to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by Consumers pursuant to Paragraph C of this Stipulation.

E. **Penalties.** The Division agrees that it will not seek penalties against Consumers in connection with this market conduct examination.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by Consumers, this Stipulation being part of a compromise settlement to resolve disputed factual and

legal allegations arising out of the above-referenced market conduct examination.

G. **Waivers.** Consumers, 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, and review or appeal by any trial or appellate court, which may have otherwise applied to the above-referenced market conduct examination.

H. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by representatives of the Division and Consumers.

I. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

J. **Authority.** The signatories below represent, acknowledge, and warrant that they are authorized to sign this Stipulation, on behalf of the Division and Consumers respectively.

K. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution and delivery of this Stipulation by facsimile or by an electronically transmitted signature shall be fully and legally effective and binding.

L. **Effect of Stipulation.** This Stipulation shall become effective only upon entry of a Final Order by the Director approving this Stipulation.

M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

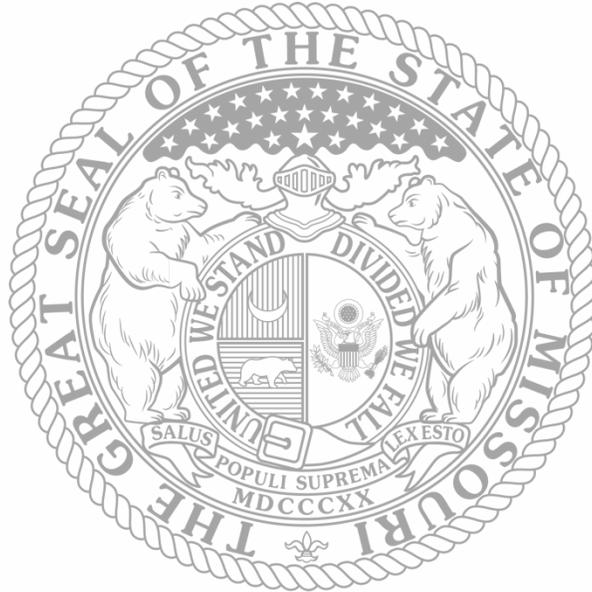
DATED: 6-30-2021

Stewart Freilich

Stewart Freilich
Chief Market Conduct Examiner and
Senior Counsel
Division of Insurance Market Regulation

DATED: 6/29/2021

W. J. McGehee | *SVP, Chief Risk Officer*
[Name and Title]
Consumers Insurance USA, Inc.
William J. McGehee



**FINAL MARKET CONDUCT EXAMINATION REPORT
Property and Casualty of**

**Consumers Insurance USA, Inc.
NAIC #10204**

MISSOURI SBS EXAMINATION #341435

NAIC MATS #MO-HICKSS1-130

June 30, 2021

**Home Office
471 East Broad Street
Columbus, OH 43215**

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

FOREWORD.....	3
SCOPE OF EXAMINATION.....	3
COMPANY PROFILE.....	4
EXECUTIVE SUMMARY	5
EXAMINATION FINDINGS	6
I. OPERATIONS/MANAGEMENT.....	6
II. UNDERWRITING AND RATING.....	6
III. CLAIMS	10
IV. CRITICISMS AND FORMAL REQUESTS TIME STUDY	16
EXAMINATION REPORT SUBMISSION.....	18

June 30, 2021

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your market conduct examination warrant, a targeted market conduct examination has been conducted of the specified lines of business and business practices of

Consumers Insurance USA, Inc. (NAIC #10204)

hereinafter referred to as Consumers Insurance USA or as the Company. This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI).

FOREWORD

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

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

When used in this report:

- “Company” refers to Consumers Insurance USA, Inc.
- “CSR” refers to the Missouri Code of State Regulation
- “DCI” refers to the Missouri Department of Commerce and Insurance
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance
- “NAIC” refers to the National Association of Insurance Commissioners
- “RSMo” refers to the Revised Statutes of Missouri

SCOPE OF EXAMINATION

The DCI has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.938, and 375.1009, RSMo and conducted in accordance with §374.205.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DCI regulations. The primary period covered by this review is January 1, 2016 through December 31, 2018, unless otherwise noted. Errors found outside of this time period may also be included in the report.

The examination was a targeted examination involving the following lines of business and business functions: Private Passenger Auto (Underwriting and Rating, and Claims).

The examination was conducted in accordance with the standards in the 2020 NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the NAIC *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 it is ten percent (10%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized, however, for reviews not applying the general business practice standard.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been found. As such, this report may not fully reflect all of the practices and procedures of the Company.

COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

The Company is a stock property and casualty insurer incorporated on July 27, 1994. On April 21, 1995, the Company commenced business under a Certificate of Authority issued by the Tennessee Department of Commerce and Insurance (TDCI). The Company was a wholly-owned subsidiary of Consumers Insurance Group, Inc. (CIG).

On August 31, 2014, CIG, the owner of 100% of the stock of the Company, was acquired by Motorists Mutual Insurance Company (Motorists Mutual). The acquisition of CIG by Motorists Mutual was approved by the TDCI on August 29, 2014. Motorists Mutual is the ultimate parent of the Company. CIG was dissolved on June 30, 2017 and CIG's assets, including 100% of the stock of the Company, were distributed to Motorists Mutual. Motorists Mutual is the controlling entity of a group of affiliated and subsidiary companies, which were referred to as the Motorists Insurance Group (MIG).

In April 2017, Motorists Mutual and BrickStreet Mutual Insurance Company (along with its subsidiaries, collectively "BrickStreet") affiliated, with Motorists Mutual remaining as the ultimate controlling entity of MIG. In July 2019, the Motorist Insurance Group implemented a rebranding to Encova Mutual Insurance Group (Encova Insurance). While the companies affiliated within the group retain their identity; products are now marketed using the Encova Insurance brand.

All of the Company's shares are owned by Motorists Mutual. Additionally, effective July 23, 2019, the Company changed its state of domicile from Tennessee to Ohio.

In January 2021, the companies within the group were reorganized into a mutual holding company structure with Encova Insurance as the ultimate parent and Encova Holdings Inc. as its stock subsidiary. While this had no direct effect on Consumers, which continues to be a stock subsidiary of Motorists Mutual, it did result in the conversion of Motorists Mutual into a stock company.

EXECUTIVE SUMMARY

The DCI conducted a targeted market conduct examination of Consumers Insurance USA, Inc. The examiners found the following areas of concern:

UNDERWRITING AND RATING

NON ACTIVE

- In one file, the Company failed to apply the Claims Free Discount factor correctly. Reference: §379.321, RSMo
- The Company conducted a separate review of rate filings and reported that the filed rate plan contained conflicting provisions related to the use of driving violations and claims free discount renewals in calculating comprehensive premiums. Reference: §379.470, RSMo
- The Company conducted a separate review of the comprehensive premium calculation for the examination time frame that revealed base rates were unfairly modified when the Claims Free Discount was applied to the premium calculation. Reference: §379.470, RSMo, and 20 CSR500-2.700(1)
- The Company conducted a separate review regarding policies that had incurred claims during the examination time frame and that had the Claims Free Discount removed, resulting in an unfair modification. Reference: §379.470, RSMo, and 20 CSR 500-2.700(1)
- The Company conducted a separate review of comprehensive coverage premium calculations for the examination time frame that revealed that base rates were unfairly modified based upon the insureds' driving record of violations or accidents. Reference: §379.470, RSMo, and 20 CSR500-2.700(1)
- The Company conducted a separate review of the application of Vehicle History Scores ("VHS") in rating that resulted in unfair discrimination to specific policyholders that should have had a vehicle history score applied in the premium calculation. Reference: §§374.045, 374.191, and 379.470(1), RSMo
- In one file, the Company used an unfiled driver exclusion form in a claim. Reference: §375.920, RSMo, and 20 CSR-500-2.100(1)
- In one file, the Company failed to provide adequate details as to the reason(s) for cancelling the insured's policy. Reference: §379.118.1(3), RSMo

CLAIMS

- In eight claims, the Company failed to conduct timely investigations with prompt and fair settlements. Reference: §§375.1007(2),(3),(4), RSMo, and 20 CSR 100-1.030(3) & 20 CSR 100-1.050
- In two claims, the Company failed to investigate and resolve claims in a timely manner. Reference: §375.1007(3), RSMo, and 20 CSR 100-1.050(1)
- In sixteen claims, the Company failed to adequately document claim files. Reference: §374.205, RSMo, & 20 CSR 100-8.040(3)(B)
- In five claims, the Company failed to properly handle claims in accordance with the policy provisions and applicable statutes, rules and regulations. Reference: §§375.1007(1),(3) & (4), RSMo, and 20 CSR 100-1.020(1)(A) & 20 CSR 100-1.050(2)

- In one claim, the Company failed to properly handle denied and closed without payment claims in accordance with policy provisions and state law. Reference: §375.1007(1), RSMo, 20 CSR 100-1.020

EXAMINATION FINDINGS

I. OPERATIONS/MANAGEMENT

The operations/management portion of the examination provides a review of what the Company is and how it operates. The examiners used operations and management examination standards taken from Chapter 20 General Examinations Standards of the NAIC Market Regulation Handbook to determine the Company’s compliance with the handbook and Missouri laws.

A. Standard 7: Records are adequate, accessible, consistent and orderly and comply with state record retention requirements.

To test for this standard, examiners requested and reviewed a random sample of 35 non-active canceled files to determine if compliance of state record retention requirements were met.

Field Size	752
Sample Size	35
Type of Sample	Random
Number of files in Error	0
Error Ratio	0.0%

No areas of concern were noted.

B. Standard 11: The regulated entity has developed and implemented written policies, standards and procedures for the management of insurance information.

To test for this standard, examiners requested and reviewed a random sample of 35 non-active policy files to determine if the Company had developed and implemented standards for the management of insurance information.

Field Size	752
Sample Size	35
Type of Sample	Random
Number of files in Error	0
Error Ratio	0.0%

No areas of concern were noted.

II. UNDERWRITING AND RATING

The underwriting and rating portion of the examination provides a review of the Company’s compliance with Missouri statutes and regulations regarding underwriting and rating practices

such as the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures used to decline or terminate coverage beginning on January 1, 2016 and ending on December 31, 2018.

The examiners used underwriting and rating examination standards taken from Chapter 20 General Examinations Standards of the NAIC Market Regulation Handbook to determine the Company's compliance with the handbook and Missouri laws.

A. NON-ACTIVE

1. **Standard 1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan.**

To test for this standard, examiners requested and reviewed a random sample of 35 non-active policies from data supplied by the Company to determine if the premiums charged agreed with the Company's rate filings.

Field Size	752
Sample Size	35
Type of Sample	Random
Number of files in Error	1
Error Ratio	3.0%

The examiners found the following errors in this review:

Finding 1: In one file, the Company failed to apply the Claims Free Discount factor correctly.

Reference: §379.321, RSMo

Finding 2: The Company conducted a separate review of rate filings and reported that the filed rate plan contained conflicting provisions related to the use of driving violations and claims free discount renewals in calculating comprehensive premiums. The Company acknowledged the rate plan filing errors but does not plan to correct the conflicting provision in the filings or submit additional rate filings because Consumers Insurance USA, Inc. is no longer writing personal automobile policies in Missouri or have any current active policies.

Reference: §379.470, RSMo

2. **Standard 4: The regulated entity's underwriting practices are not unfairly discriminatory. The regulated entity adheres to applicable statutes, rules and regulations and regulated entity guidelines in the selection of risks.**

The examiners found the following errors in this review:

Finding 1: The Company conducted a separate review of the comprehensive premium calculation for the examination time frame that revealed base rates were unfairly modified

when the Claims Free Discount was applied to the premium calculation. The Company rated in accordance with the filed rating algorithm but was not in compliance with Missouri regulation 20 CSR 500-2.700, which indicates comprehensive and uninsured motorist coverage premiums cannot be modified based on an insured’s record of violations or accidents. The Company agreed to remove the Claims Free Renewal factors from the comprehensive premium calculation that impacted 3,117 policyholders and resulted in undercharges of \$32,074.30 of which the Company agreed to forgo action for collecting the undercharges.

Reference: §379.470, RSMo, and 20 CSR 500-2.700(1)

Finding 2: The Company conducted a separate review of the comprehensive coverage premium calculations for the examination time frame which revealed that base rates were unfairly modified based upon the insureds’ driving record of violations or accidents. According to this review, 284 policyholders were impacted and received refunds totaling \$14,235.87.

Reference: §379.470, RSMo, and 20 CSR 500-2.700(1)

Finding 3: The Company conducted a separate review of the application of Vehicle History Scores in rating, which resulted in unfair discrimination to specific policyholders during the time frame of 2/1/2018 and 12/31/2018 because the policyholders should have had a vehicle history score applied in the premium calculation. According to this review, 103 policyholders were impacted and received refunds totaling \$3,882.46.

Reference: §§374.045, 374.191, and 379.470(1), RSMo

3. Standard 5: All forms, including policies, contracts, riders, amendments, endorsement forms and certificates are filed with the insurance department, if applicable.

To test for this standard, examiners requested and reviewed a random sample of 35 non-active policies from data supplied by the Company to determine if the forms making the policy were filed with the Director and used as filed.

Field Size	752
Sample Size	35
Type of Sample	Random
Number of files in Error	1
Error Ratio	3.0%

The examiners found the following errors in this review:

Finding 1: In one file, the Company failed to file a driver exclusion form used in a claim.

Reference: §375.920, RSMo, and 20 CSR 500-2.100(1)

4. Standard 8: Cancellation/nonrenewal, discontinuance and declination notices comply with policy and contract provisions, state laws and the regulated entity’s guidelines.

To test for this standard, examiners requested and reviewed a random sample of 35 non-active policies from data supplied by the Company to determine if cancellation/nonrenewal, discontinuance and declination notices were in compliance.

Field Size	752
Sample Size	35
Type of Sample	Random
Number of files in Error	1
Error Ratio	3.0%

The examiners found the following errors in this review:

Finding 1: In one file, the Company failed to provide adequate details as to the reason(s) for cancelling the insured’s policy.

Reference: §379.118.1(3), RSMo

For the following standards, the examiners used underwriting and rating examination standards taken from Chapter 21 Property and Casualty Examinations Standards of the NAIC Market Regulation Handbook to determine the Company’s compliance with the handbook and Missouri laws.

5. Standard 16: Cancellation/nonrenewal notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other parties to the contract.

To test for this standard, the examiners requested and reviewed a random sample of 35 non-active policies from data supplied by the Company to determine if cancellation/nonrenewal notices gave proper advance notice.

Field Size	752
Sample Size	35
Type of Sample	Random
Number of files in Error	0
Error Ratio	0.0%

No areas of concern were noted.

6. Standard 18: Applications or enrollment forms are properly, accurately and fully completed, including any required signatures, and file documentation adequately supports decisions made.

To test for this standard, the examiners requested and reviewed a random sample of 35 non-active policies from data supplied by the Company to determine that applications or enrollment forms were accurate and complete.

Field Size	752
Sample Size	35
Type of Sample	Random
Number of files in Error	0
Error Ratio	0.0%

No areas of concern were noted.

III. CLAIMS

The claims portion of the examination provides a review of the Company's compliance with Missouri statutes and regulations regarding claims handling practices such as the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

The examiners used claims examination standards taken from Chapter 20 General Examinations Standards of the NAIC Market Regulation Handbook to determine the Company's compliance with the handbook and Missouri laws.

A. Standard 1: The initial contact by the regulated entity with the claimant is within the required time frame.

To test for this standard, examiners requested and reviewed a random sample of 76 paid and 50 non-paid claims from data supplied by the Company to determine if initial contacts were timely.

1. Initial Contact for Paid Claims

Field Size	381
Sample Size	76
Type of Sample	Random
Number of Errors	0
Error Ratio	0.0%

No areas of concern were noted.

2. Initial Contact For Denied/Closed Without Payment Claims

Field Size	121
Sample Size	50
Type of Sample	Random
Number of Errors	0
Error Ratio	0.0%

No areas of concern were noted.

B. Standard 2: Timely investigations are conducted.

To test for this standard, examiners requested and reviewed a random sample of 76 paid and 50 non-paid claims from data supplied by the Company to determine if investigations were timely.

1. Investigation Time for Paid Claims

Field Size	381
Sample Size	76
Type of Sample	Random
Number of Errors	5
Error Ratio	6.6%

Finding 1: For one claim, the Company failed to send the claimant a letter within 45 days of initial notification and every 45 days after, setting forth the reasons additional time was needed for investigation of the claim and to obtain results of an arbitration decision.

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

Finding 2: For one claim, the Company failed to provide necessary claim forms, instructions and reasonable assistance to the first party claimant within 10 working days of notification of a claim. The claim was reported on 7/24/2017, but the insured was not mailed medical claim forms until 127 days later on 12/01/2017 in order to investigate the medical claim presented.

Reference: §375.1007(2), RSMo, and 20 CSR 100-1.030(3)

Finding 3: For one claim, the Company failed to implement reasonable standards for a prompt investigation when the denial of liability from the at-fault adverse carrier was not investigated in a timely manner. The Company paid the insured under collision coverage and closed the claim without investigating liability.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.050(1)

Finding 4: For one claim, the Company failed to complete their investigation in a timely manner when the Company failed to accept or deny liability within 15 days after submission of all forms necessary to establish the nature and extent of the claim and to determine coverage. The Company received a police report on 12/27/2016 but first noted accepting liability on 2/15/2017, 34 working days later.

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

Finding 5: For one claim, the Company failed to complete their investigation in a timely manner when the Company received notice of the claim on 8/15/2018 and contacted the insured to obtain a description of the accident. The claim file was closed over 66 days later with no further communications or investigation with any parties involved.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.050(1)(A)

2. Investigation Time for Denied/Closed Without Payment Claims

Field Size	121
Sample Size	50
Type of Sample	Random
Number of Errors	3
Error Ratio	6.0%

Finding 1: In three instances, the Company failed to send the claimant a letter within 45 days of initial notification and every 45 days after, setting forth the reasons additional time was needed for investigating subrogation pursuits and coverage.

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

C. Standard 3: Claims are resolved in a timely manner.

To test for this standard, examiners requested and reviewed a random sample of 76 paid and 50 non-paid claims from data supplied by the Company to determine if claims were investigated and resolved in timely manner.

1. Determination Time for Paid Claims

Field Size	381
Sample Size	76
Type of Sample	Random
Number of Errors	0
Error Ratio	0.0%

No areas of concern were noted.

2. Determination Time for Denied/Closed Without Payment Claims

Field Size	121
Sample Size	50
Type of Sample	Random
Number of Errors	2
Error Ratio	4.0%

The examiners found the following errors:

Finding 1: In one claim, the Company failed to resolve a claim in a timely manner when the Company acknowledged a claim on 4/25/2016 and closed the claim on 5/06/2016 without

investigating, accepting, or denying coverage. The Company did not have documentation regarding the outcome of the claim.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.050(1)(A)

Finding 2: In one claim, the Company failed to resolve a claim in a timely manner when the Company acknowledged a glass claim on 1/05/2018 and closed the claim on 2/06/2018 without investigating, accepting, or denying coverage. The Company did not make contact with the insured or Safelite.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.050(1)

D. Standard 4: The regulated entity responds to claims correspondence in a timely manner.

To test for this standard, examiners requested and reviewed a random sample of 76 paid and 50 non-paid claims from data supplied by the Company to determine if response to correspondence was timely.

1. Claim Communication Time for Paid Claims

Field Size	381
Sample Size	76
Type of Sample	Random
Number of Errors	0
Error Ratio	0.0%

No areas of concern were noted.

2. Claim Communication Time for Denied/Closed Without Payment Claims

Field Size	121
Sample Size	50
Type of Sample	Random
Number of Errors	0
Error Ratio	0.0%

No areas of concern were noted.

E. Standard 5: Claim files are adequately documented.

To test for this standard, examiners requested and reviewed a random sample of 76 paid and 50 non-paid claims from data supplied by the Company to determine if claim files were adequately documented.

1. Claim Record Retention for Paid Claims

Field Size	381
Sample Size	76
Type of Sample	Random
Number of Errors	16
Error Ratio	21.0%

The examiners found the following errors:

Finding 1: In one claim file, the Company failed to maintain the claim file to clearly show the inception, handling, and disposition of each claim. The Company did not document an explanation or rejection of purchased Transportation Expense coverage to the insured who had a vehicle repaired at a repair shop for vandalism damages.

Reference: §374.205, RSMo, and 20 CSR 100-8.040(3)(B)

Finding 2: In one claim file, the Company failed to maintain the claim file to clearly show the inception, handling, and disposition of each claim. The Company originally noted in the file of sending a fax to the insured regarding a settlement offer. The Company failed to maintain a copy of the fax document.

Reference: §374.205, RSMo, and 20 CSR 100-8.040(3)(B)

Finding 3: In 14 claim files, the Company failed to maintain copies of sales tax affidavits attesting to the amount of the insurance proceeds and any deductible obligation paid by the claimants regarding the total loss settlements of claimant vehicles.

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(3)(B)3

2. Claim Record Retention for Denied/Closed Without Payment Claims

Field Size	121
Sample Size	50
Type of Sample	Random
Number of Errors	0
Error Ratio	0.0%

No areas of concern were noted.

F. Standard 6: Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations.

To test for this standard, examiners requested and reviewed a random sample of 76 paid and 50 non-paid claims from data supplied by the Company to determine if claims are handled in accordance to policy provisions and applicable statutes, rules and regulations.

1. Paid Claims

Field Size	381
Sample Size	76
Type of Sample	Random
Number of Errors	4
Error Ratio	5.3%

The examiners found the following errors:

Finding 1: The Company misrepresented and failed to fully disclose first party benefits, coverages or other provisions of an insurance policy under which a claim is presented. The Company failed to inform the insured of their disappearing deductible amount when adjusting a physical damage claim payment.

Reference: §375.1005(1), RSMo, and 20 CSR 100-1.020(1)(A)

Finding 2: The Company failed to fully disclose first party benefits, coverages or other provisions of an insurance policy under which a claim is presented. The Company paid the insured for vehicle damage from collision coverage but did not disclose to the insured of the policy provision of “Our Right to Recovery Payment” and the subrogation demand pending.

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

Finding 3: The Company failed to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear. The Company miscalculated sales tax for a total loss vehicle settlement resulting in an underpayment of \$62.99 to the insured.

Reference: §375.1007(4), RSMo

Finding 4: The Company failed to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear. The Company miscalculated sales tax for a total loss vehicle settlement resulting in an overpayment of \$41.89 to the insured.

Reference: §375.1007(4), RSMo

2. Denied/Closed Without Payment Claims.

Field Size	121
Sample Size	50
Type of Sample	Random
Number of Errors	1
Error Ratio	2.0%

The examiners found the following errors:

Finding 1: In one claim, the Company failed to promptly investigate and settle with a third party claimant according to the 50/50 liability decision documented in the claim file. The Company reopened the claim file to make the appropriate offers of settlement. Payment status is pending.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.050(2)

G. Standard 9: Denied and closed without payment claims are handled in accordance with policy provisions and state law.

To test for this standard, examiners requested and reviewed a random sample of 76 paid and 50 non-paid claims from data supplied by the Company to determine if denied claims are handled in accordance with policy provisions and state law. Because paid claims may have specific coverages with the possibility of a partial or complete denial and the possibility of being closed without payment, paid claims were reviewed with the same standards.

1. Paid Claims

Field Size	381
Sample Size	76
Type of Sample	Random
Number of Errors	0
Error Ratio	0.0%

No areas of concern were noted.

2. Denied and closed without payment claims

Field Size	121
Sample Size	50
Type of Sample	Random
Number of Errors	1
Error Ratio	2.0%

The examiners found the following errors:

Finding 1: In one claim, the Company denied liability coverage because they excluded a driver from a policy using a form not filed with the DCI. Denial of a claim based on an invalid driver exclusion form misrepresented policy provisions relating to coverages. The Company agreed with the finding, reopened the claim file, and issued payment to the claimant for \$1,943.32.

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

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 statutes and regulations require companies

to respond to criticisms and formal requests within 10 calendar days. In the event an extension of time was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the subsequent time frame. If the response was not received within the allotted time, the response was not considered timely.

A. Criticism Time Study

Number of Calendar Days to Respond	Number of Criticisms	Percentage of Total
0 to 10 days	36	100.0%
Over 10 days with extension	0	0.0%
Over 10 days without extension or after extension due date	0	0.0%
Totals	36	100.0%

All criticism responses were timely.

B. Formal Request Time Study

Number of Calendar Days to Respond	Number of Requests	Percentage of Total
0 to 10 days	63	100.0%
Over 10 days with extension	0	0.0%
Over 10 days without extension or after extension due date	0	0.0%
Totals	63	100.0%

All request responses were timely.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Consumers Insurance USA, Inc. (NAIC #10204), Examination Number 341435. This examination was conducted by Shelly Herzing, Darren Jordan, Dale Hobart and Tad Herin. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated April 22, 2021. 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.

06/30/2021

Date



Stewart Freilich
Chief Market Conduct Examiner



August 10, 2021

Stewart Freilich, Chief Market Conduct Examiner and Senior Counsel
Missouri Department of Commerce & Insurance
Division of Insurance Market Regulation
301 West High Street, Room 530
Jefferson City, MO 65101

**RE: Response to Consumers Insurance USA, Inc. (NAIC #10204)
Missouri Market Conduct Examination #341435 Report and Stipulation of Settlement
NAIC Exam Tracking #MO-HICKSS1-130**

Dear Mr. Freilich:

We agree with your proposed resolution to the issues raised in the Examination Report and the Stipulation of Settlement and provide this response to be included with the Examination Report. We thank you for agreeing not to seek penalties against our subsidiary, Consumers Insurance USA, Inc.

With respect to *Section C. Compliance* of the Stipulation, information regarding finalization of settlement, including restitution, for the claim referenced in *Section III.F.2* of the examination findings of the final market conduct examination report, copies of the letter explaining the settlement and the check issued to the party identified were forwarded to you on June 29, 2021. We consider this to meet the requirement to provide information within ten days of the entry of the final order that was mandated in the Stipulation. Further, unless and until we reenter the private passenger automobile market in Missouri, we agree that no further action is required.

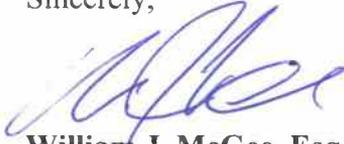
With respect to findings outlined in the Examination Report, for those instances in which it was reported that the Company conducted a separate review, it is important to note that those reviews were done volutarily, without being requested to do so and prior to testing by your examination team. Further, the results of those reviews were freely shared with the examination team and the restitution, including interest, was paid without having to be directed to do so. Also, as you noted, we agreed to forgo seeking recoupment of any undercharges. Finally, in instances in which your examination team noted an error we immediately took the required action and implemented the agreed resolutions.

August 6, 2021

Page 2

We commend your staff for their professionalism during this examination, especially in light of the additional challenges caused as a result of the COVID-19 pandemic.

Sincerely,



William J. McGee, Esq.

Senior Vice President and Chief Risk and Compliance Officer

cc: Win Nickens, Examination Manager
Shelly Herzing, CIE, MCM, SCLA, Examiner-In-Charge
Dr. Martin J. Langlois, Jr., Vice President Internal Audit and Chief Audit Executive
James L. Aslinger, Internal Audit Manager