

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of)	
AUTOMOBILE CLUB)	
INTER-INSURANCE EXCHANGE)	Docket No. 3940-MC
and)	
AUTO CLUB FAMILY)	
INSURANCE COMPANY)	Docket No. 3941-MC
)	

ORDER

Pursuant to the authority conferred upon the Commissioner of Insurance in K.S.A. 40-222, Sandy Praeger, the duly elected, qualified and serving Commissioner of Insurance, hereby adopts the Kansas Insurance Department’s Report of Market Conduct Examination of Automobile Club Inter-Insurance Exchange and Auto Club Family Insurance Company (“Auto Clubs”), as of December 31, 2007, which is attached hereto as Attachment A and incorporated herein in its entirety. This Order shall become effective as a Final Order, without further notice, upon the expiration of a fifteen (15) day period if no request for hearing is made pursuant to K.S.A. 77-542. The specific findings stated in the report are as follows:

Findings of Fact

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.
2. The Kansas Insurance Department (“KID”) completed a market conduct examination of the Automobile Club Inter-Insurance Exchange and the Auto Club Family Insurance Company (“Auto Clubs”). The period of examination was January 1, 2006

through December 31, 2007.

3. On or about June 20, 2008, the Market Conduct Supervisor provided Auto Clubs with a draft of the Market Conduct Examination with a request for Auto Clubs' response in the form of written comments, additions, or acceptance by July 23, 2006 [sic].
4. Auto Clubs chose not to publicly respond to the Market Conduct Examination.
5. The Kansas Commissioner of Insurance has since fully reviewed said Kansas Insurance Department's Report of Market Conduct Examination of Automobile Club Inter-Insurance Exchange and Auto Club Family Insurance Company which is attached hereto as Attachment A. The Market Conduct Team found as follows:
 6. One auto renewal was issued with the wrong territory.
 7. Three homeowner rental renewals were not rated per the filed Insurance Score Model.
 8. One new business policy was cancelled because the named insured was a minor and could not enter into an insurance contract.
 9. Eight policies out of the sample of 57, being 14% of the total, were identified for not having clear wording to meet Kansas law that requires a cancellation notice to contain either a written explanation specifically detailing the reasons why the policy was cancelled or the opportunity to request the reasons for cancellation from the company.

Applicable Law

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10. K.S.A. 40-955(a) provides, in relevant part:

Every insurer shall file with the commissioner, . . ., every manual of classifications, rules and rates, every rating plan, policy form and every modification of any of the foregoing which it proposes to use.

11. K.S.A. 40-955(g) provides, in relevant part:

No insurer shall make or issue a contract or policy except in accordance with filings which have been filed or approved for such insurer as provided in this act.

12. K.S.A. 40-237 provides, in relevant part:

Minors may consummate contracts respecting insurance the same as adults . . .
Provided, That all such contracts made by a minor shall have the written consent of either a parent, guardian, or conservator:

13. K.S.A. 40-2,122 provides, in relevant part:

Any insurance company doing business in this state shall provide to an insured a written explanation specifically detailing the reasons why such company canceled or denied renewal of an existing policy of insurance.

14. K.A.R. 40-3-31(b)(1) provides, in relevant part:

(b) The notice of cancellation or nonrenewal, or accompanying forms, shall include words similar to the following statements:

(1) Within 10 days after receiving a written request, this company will furnish, the reason for cancellation or nonrenewal in writing. This statement is required only when reasons for cancellation or nonrenewal are not sent with the cancellation or nonrenewal notice.

15. K.S.A. 40-5107(b) provides, in relevant part:

- (b) Each reason must be provided in sufficiently clear and specific language so that a person can identify the basis for the insurer's decision to take such adverse action. An insurer shall provide a procedure whereby a consumer may review an adverse action based of credit information.

Conclusions of Law

Based upon the Findings of Fact enumerated in Paragraphs #1 through #9 and the Applicable Law cited above:

IT IS, THEREFORE, ORDERED BY THE COMMISSIONER OF INSURANCE:

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.
2. The Kansas Insurance Department's ("KID") Report of Market Conduct Examination of the Automobile Club Inter-Insurance Exchange and Auto Club Family Insurance Company as of December 31, 2007 is herein adopted in its entirety.
3. The Auto Club Group failed the HO Renewal Business portion of Standard 1 because of a programming error and one segment of their tenants' renewal business was mis-rated. Pursuant to K.S.A. 40-2,125(a)(1) Auto Club Group shall pay a monetary penalty of Two Thousand Five Hundred Dollars and No Cents (\$2,500.00) due and payable to the Kansas Insurance Commissioner on or before the 14th day from the date of this Order for the above-stated violation of K.S.A. 40-955(a) and (g).
4. The Auto Club Group has been cited for the second time for violating cancellation and nonrenewal laws. The notices of nonrenewal did not have clear wording to meet Kansas law, specifically K.S.A. 40-2,122 and 40-5107(b). Pursuant to K.S.A. 40-2,125(a)(1)

Auto Club Group shall pay a monetary penalty of Five Thousand No Dollars and No Cents (\$5,000.00) due and payable to the Kansas Insurance Commissioner.

IT IS SO ORDERED THIS __6th__ DAY OF OCTOBER, 2008 IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



/s/ Sandy Praeger
Sandy Praeger
Commissioner of Insurance

BY:

/s/ John W. Campbell
John W. Campbell
General Counsel

NOTICE OF RIGHTS
(Pursuant to K.S.A. 77-542)

Automobile Club Inter-Insurance Exchange and Auto Club Family Insurance Company, (“Auto Clubs”) is entitled to a hearing pursuant to K.S.A. 77-537 and K.S.A. 77-542, the Kansas Administrative Procedure Act. If Auto Clubs desire a hearing, the companies must file a written request for a hearing with:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

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This request must be filed within fifteen (15) days from the date of service of this Order. If Auto Clubs request a hearing, the Kansas Insurance Department will notify the company of the time and place of the hearing and information on procedures, right of representation, and other rights of parties relating to the conduct of the hearing, before commencement of the same.

If a hearing is not requested in the time and manner stated above, this Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. 77-613. In the event Auto Clubs file a Petition for Judicial Review, pursuant to K.S.A. §77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

Certificate of Service

The undersigned hereby certifies that above and foregoing **Order** was served via the United States Postal Service, first-class postage prepaid, on this 6th day of October, 2008, addressed to the following:

Mr. Robert Schreiber
Vice President, Insurance
Automobile Club Inter-Insurance Exchange, and
Auto Club Family Insurance Company
P.O. Box 14611
St. Louis, MO 63178

 /s/ John R. Dowell _____
John R. Dowell
Staff Attorney

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