

EXECUTIVE SUMMARY

The Kansas Insurance Department (KID or Department) received allegations about possible discriminatory practices from a former Shelter agent. The Department accordingly performed a targeted market conduct examination of the Shelter Insurance Group.

The examiners reviewed the company underwriting, claims, and rating manuals. The exam team reviewed underwriting, claim, and complaint files in the Company's home office in Columbia, MO. A series of meetings were held separately with the former agent and Shelter staff, focusing on the allegations and current operations. To supplement and verify the understanding of how the company does business, a series of samples were selected for review to verify the Company's procedures and practices in claims, underwriting and rating. A two-day hearing also was held to allow the former agent and Shelter to present evidence related to the former agent's allegations.

The exam team found no systemic discriminatory practices towards minority policyholders. The Company's overall practices met the controlling statutory standards. The examiners found one underwriting practice they believed failed to meet the controlling statutory standards, thus, creating a practice of unfair rate discrimination against certain tier groups of Shelter's auto population.

Based on all the evidence presented throughout the examination and in connection with the two-day hearing, a conclusion of systemic discrimination is not appropriate in this instance. While there may or may not be any discrimination, an investigation of this nature is beyond the scope of this examination.

Recommendations:

1. At the time of the on-site review of Shelter's operation, a meeting was held with various Shelter executives regarding their use of credit scoring in the underwriting/rating process. At that time, the Company indicated to the exam team that Shelter did not have a program to automatically re-evaluate an individual's credit score every 36 months on renewal per:

Kansas Insurance Score Act– K.S.A. 40-5104: Prohibited practices

No insurer authorized to do business in the state of Kansas which uses credit information to underwrite or rate risks, shall:

(g)(1)...use credit information unless not later than every 36 months following the last time that the insurer obtained current credit information for the insured, the insurer recalculates the insurance score or obtains an updated credit report.

It was recommended by the exam team that Shelter take the necessary steps to insure that they have the programs and procedures in place to conform to the Kansas Insurance Score Act. The Department understands Shelter has the recommended programs and procedures now in place.

2. The Company should review their underwriting nonrenewal procedures to insure that they are in compliance with K.S.A. 40-276, K.S.A. 276a and K.S.A. 40-277. Although Shelter met the requirements set forth in the NAIC Market Handbook guidelines, the exam team notes that there were a total of 9 errors in this category.

3. The Department is limited in its ability to handle factual investigations regarding alleged discrimination. Although no systemic discrimination was found, the Department will forward a copy of this report to another agency for further consideration to the extent that agency deems appropriate.