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RECEIVED
WISCONSIN COMMISSIONER
OF INSURANCE

March 28, 2005

**VIA UPS OVERNIGHT DELIVERY
AND FACSIMILE 608.264.0115**

Susan Ezalarab, CIE, CPCU, FLMI
Director, Bureau of Market Regulation
Office of the Commissioner of Insurance
State of Wisconsin
125 South Webster
Madison, Wisconsin 53707-7873

RE: MARKET CONDUCT EXAMINATION OF AIU INSURANCE COMPANY

Dear Ms. Ezalarab:

We are in receipt of your letter dated March 1, 2005 that was reviewed on March 9, 2005. We will address The Recommendations in the order they were presented.

POLICY FORMS:

1. It is recommended that the Company file with and gain approval of the Commissioner prior to using application forms (UMWI and MPWI) in order to comply with s. 631.20 (1).

Response: We subsequently filed and received approval for the use of these forms in all companies.

2. It is recommended that the Company amend forms UMWI, Wisconsin Uninsured and Underinsured Motorists Coverage Selection of Limits, to correctly state the minimum limits required for Underinsured Motorist Coverage to be \$50,000 BI per person and \$100,000 BI per accident in order to comply with s. 632.32 (4m) (d).

Response: We subsequently filed and received approval for UMWI (10/02). This form states the minimum limits as outlined above.

3. It is recommended that the Company amend forms CRN-WI (1/01) and (1/01)a, Altered Policy Terms or Premiums (Wisconsin), to comply with s. 631.36 (5) (a), for situations where the required altered policy terms or premium notice is mailed or delivered to the policyholder less than 60 days prior to the policy renewal date.

Response: We had not previously revised this form as noted above since we do not give less than 60 days notice. However, upon further review we will agree to do so.

4. It is recommended that the Company amend its notice of a person's right to file a complaint, form number WI-001 (1/93) to state the name of the individual insurance Company, not the group name, in order to comply with s. Ins. 6.85 (4) (a).

Response: WI-001 (11/04), which currently generates in WI, has a tagged field that gets populated with the name of the underwriting Company along with the Customer Service Center name, address and phone number that corresponds to the Customer Service Center printed on the Declarations page.

POLICYHOLDER SERVICE AND COMPLAINTS:

5. It is recommended the Company create and maintain a system whereby the policyholder is given information about past due amounts and a notice of possible referral to a collection agency if past due amounts are not paid. The Company shall submit a plan to OCI within 90 days of the adoption of the report stating how it will comply with this recommendation; in order to ensure compliance with the §628.34(1), Wis. Stat., as it refers to misrepresentation by incompleteness of information provided to the policyholder.

Response: Company has already instituted a procedure where an insured is notified via a letter from Western Union that monies are due and owing. In addition, Company now cancels policies effective the renewal effective date if no monies are received.

6. It is recommended that the Company carefully review and compare the Annual Renewal Billing and the agent validation information originated by OCI to the Company records; promptly initiate an investigation into the reason(s) an agent does not appear on the Annual Renewal Billing when the Company shows the individual as an active agent appointed to represent the Company or does not appear as an agent in the Company records when the Agent is listed on the OCI billing records; and take the appropriate action to rectify the situation, to ensure compliance with §Ins 6.57, Wis. Adm. Code.

Response: The Company has advised its Producer Licensing Division of the need to compare the Wisconsin OCI Annual Renewal Billing list with the data in its producer licensing system. In addition, the Company has advised that, upon finding any inconsistencies, the Producer Licensing Division should promptly notify the OCI of said inconsistencies, file any necessary appointments or terminations with the OCI and/or modify the data in its system.

7. It is recommended that the Company develop and implement detailed comprehensive procedures that allow for the accurate tracking of individuals representing the Company to ensure compliance with §Ins. 9.57(1), (2), (5) and (6) and 6.80 (5) (a), Wis. Adm. Code, and §601.42, Wis. Stat.

Response: The Company has advised its Producer Licensing Division of the need to keep complete records of internal and external requests for appointments and terminations and to regularly update filed appointments and terminations in its producer licensing system.

8. It is recommended that the Company implement a system that will not allow individuals to engage in the business of insurance on behalf of the Company until the individual has been appointed to represent the Company in order to ensure compliance with § Ins. 6.57(1) and (5), Wis. Adm. Code.

Response: Company has reinforced its procedures to ensure the proper appointment of its agents.

9. It is recommended the Company develop and implement a program to have all employees that respond to consumer inquiries regarding the purchase of insurance or advising about insurance be properly licensed as required by §628.02(1), Wis. Stat.

Response: Company has changed its procedures to license all employees that answer telephone calls from consumers who are responding to direct mail or other solicitations for automobile insurance.

We hope the above satisfactorily responds to the issues noted. If you have any questions or if you need any additional information, please feel free to contact me.

Very truly yours,



MAURA C. POPP
Associate General Counsel

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