

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

In Re:)
)
 American Association of Insurance Services) Market Conduct Investigation No. 397061
)

ORDER OF THE DIRECTOR

NOW, on this 06th day of July, 2023, Director, Chlora Lindley-Myers, after consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (hereinafter “Stipulation”) entered into by the Division of Insurance Market Regulation (hereinafter “Division”), and American Association of Insurance Services (hereinafter “AAIS”), relating to the market conduct investigation no. 397061, does hereby issue the following orders:

This order, issued pursuant to §374.046.15¹ and §374.280 is in the public interest.

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

IT IS FURTHER ORDERED that AAIS shall not engage in any of the violations of statutes 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.

¹ All references, unless otherwise noted, are to Revised Statutes of Missouri 2016.

IT IS FURTHER ORDERED that AAIS shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$2,000.00, payable to the Missouri State School Fund.

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 06th day of July, 2023.

Chlora Lindley-Myers

Chlora Lindley-Myers
Director



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

In Re:)
)
AMERICAN ASSOCIATION OF) **Market Conduct Investigation No. 397061**
INSURANCE SERVICES)

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter the “Division”), and American Association of Insurance Services (hereinafter “AAIS”), 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, AAIS has been granted a license to transact business in the State of Missouri as a Rating Organization;

WHEREAS, the Division conducted a market conduct investigation of AAIS, investigation no. 397061; and

WHEREAS, based on the market conduct investigation of AAIS the Division alleges that:

1. AAIS did not file 477 forms for the IM Guide (Nonfiled) program classes, as well as the rules and rates including loss cost for sixteen (16) classes in the IM Guide (Nonfiled) program in violation of §379.321.6(1) and §379.321.6(7) RSMo.¹

2. There are sixteen (16) classes in AAIS’ IM Guide (Nonfiled) program that contain rate ranges. Some of the rate ranges constitute as a form of scheduled rating and allows a total credit

¹ All statutory references, unless otherwise noted, are to the 2016 Revised Statutes of Missouri.

or debit of more than 25% based on risk characteristics in violation of 20 CSR 500-4.100(7)(A).

3. There are fourteen (14) classes in AAIS' IM Guide (Nonfiled) program which contain "refer to company rates" or a-rates. "Refer to company" or a-rates are also being used in the Company's Commercial Inland Marine program. The Company did not advise subscribers in the compliance guides of filing requirements in Missouri for the use of a-rates materially aiding in the violation of 20 CSR 500-4.300 and §379.321.6(1).

4. AAIS did not file the State Exceptions (REV 03 21, Rating Information – 1) for their Farm Inland Marine Program in violation of §379.321.6(1).

5. AAIS did not file the State Exceptions (REV 03 21, Rating Information – 1) for their Commercial Inland Marine Program in violation of §379.321.6(1).

6. AAIS did not submit Bulletin 22-0186, which pertained to future form filings to the Department prior to the submission of the filings in violation of 20 CSR 500-4.100(5).

7. AAIS incorrectly advised subscribers that forms, rules, and rates including loss costs do not need to be filed in Missouri for the Commercial Inland Marine, Farm Inland Marine, and the IM Guide (Nonfiled) programs materially aiding in the violation of §379.321.6(1).

8. AAIS incorrectly advised subscribers that subscribers who are affiliated with the Company do not have to make a filing in Missouri before using the information included in the Loss Estimate Supplements for the Commercial Liability program materially aiding in the violation of §379.321.6(1) and 20 CSR 500-4.300.

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

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (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.** AAIS agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those remedial actions at all times. Such remedial actions shall include the following:

1. AAIS agrees to file all current versions and future revisions to the forms, rules, and rates including loss costs for its IM Guide (Nonfiled) program with the Department.

2. AAIS agrees to file the IM Guide (Nonfiled) within ten days of use going forward.

3. AAIS agrees to revise the IM Guide (Nonfiled) to remove rate ranges in situations where scheduled rating does not apply.

4. AAIS agrees to revise the IM Guide (Nonfiled) classes to not allow for more than a total credit or debit of more than 25% based on risk characteristics.

5. AAIS agrees to file the State Exceptions pages (REV 03 21, Rating Information – 1) with the Department for their Farm Inland Marine Program and Commercial Inland Marine Program, as well as filing any future state exemption pages as required.

6. AAIS agrees to submit any bulletins to the department which pertain to future rate, rule, and form filings.

7. AAIS agrees to revise its compliance guides to advise subscribers that Missouri does require that forms, rules, rates, and loss costs be filed for their Commercial Inland Marine, Farm Inland Marine, and IM Guide (Nonfiled) programs. Subscribers who also make individual risk filings will be advised to complete the record keeping requirements in 20 CSR 500-4.300(2).

8. AAIS agrees to revise its compliance guides to provide subscribers with two options regarding their Commercial Liability program filings: (1) each time a subscriber uses loss cost information from the Loss Estimate Supplements (“LES”), they should submit an individual risk

filing to the Department; or (2) subscribers can make a filing to adopt the AAIS LES including an applicable loss cost multiplier and effective date. Subscribers who also make individual risk filings will be advised to complete the record keeping requirements in 20 CSR 500-4.300(2).

9. AAIS agrees to submit a copy of the revised compliance guides to the Division for review and approval prior to use.

C. **Compliance.** AAIS agrees to file documentation pursuant to §374.190 with the Division, in a format acceptable to the Division, within 30 days of the entry of an Order approving this Stipulation, of any remedial action taken to implement compliance with the terms of this Stipulation.

D. **Voluntary Forfeiture.** AAIS agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$2,000.00 such sum payable to the Missouri State School Fund, in accordance with §§374.049.11 and 374.280.2 RSMo.

E. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by AAIS, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above referenced market conduct investigation.

F. **Waivers.** AAIS, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights to 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 market conduct investigation no. 397061.

G. **Amendments.** No amendments to this Stipulation shall be effective unless made in writing and agreed to by authorized representatives of the Division and AAIS.

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

I. **Authority.** The signatories below represent, acknowledge and warrant that they are

authorized to sign this Stipulation, on behalf of the Division and AAIS, respectively.

J. **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 by facsimile or by electronically transmitted signature shall be fully and legally effective and binding.

K. **Effect of Stipulation.** This Stipulation shall not become effective until entry of an Order by the Director of the Department (hereinafter “Director”) approving this Stipulation.

L. **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: June 30, 2023



Teresa Kroll
Chief Market Conduct Examiner
Division of Insurance Market Regulation

DATED: June 20, 2023



Name: Robin Westcott
Title: Vice President, General Counsel
American Association of Insurance Services