

**IN THE DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION
STATE OF MISSOURI**

In Re:

**AUTO CLUB FAMILY INSURANCE
COMPANY (NAIC #27235)**

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**Market Conduct Examination
1606-27-TGT**

ORDER OF THE DIRECTOR

NOW, on this 30th day of August, 2018, 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 Auto Club Family Insurance Company (NAIC #27235) (hereinafter "ACFIC"), relating to the market conduct examination set out in the caption above, does hereby issue the following orders:

This order, issued pursuant to §§374.205.2(5), 374.280, and 374.046.15 RSMo 2016, is in the public interest.

IT IS THEREFORE ORDERED that ACFIC and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that ACFIC 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 shall maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that ACFIC shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$1,000.00 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 30th day of August, 2018.



Chlora Lindley-Myers
Chlora Lindley-Myers
Director

**IN THE DEPARTMENT OF INSURANCE, FINANCIAL
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STATE OF MISSOURI**

In Re:)
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AUTO CLUB FAMILY INSURANCE) **Market Conduct Examination**
COMPANY (NAIC #27235)) **1606-27-TGT**
)

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter, the “Division”), and Auto Club Family Insurance Company (NAIC #27235) (hereinafter “ACFIC”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (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 in Missouri; and

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

WHEREAS, the Division conducted a Market Conduct Examination of ACFIC, examination #1606-27-TGT; and

WHEREAS, based on the Market Conduct Examination of ACFIC, the Division alleges that:

1. In seven instances, ACFIC failed to document its homeowner claims’ files clearly showing the inception, handling and disposition of the claims in violation of §374.205.2¹ and 20 CSR 100-8.040(3)(B).

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

2. In one instance, ACFIC applied an incorrect roof percentage factor in evaluating a claim in violation of 20 CSR 100-1.020(1)(A) and implicating the provisions of §375.1007(1).

3. In one instance, ACFIC failed to advise an insured of additional insurance coverage for demolition of a fire damaged dwelling and debris removal in violation of 20 CSR 100-1.020 (1) (A) and implicating the provisions of §375.1007 (1).

4. In one instance, ACFIC failed to send insureds an explanation within 45 days as to why the claim file remained open after the initial notification of the claim and every 45 days thereafter violating 20 CSR 100-1.050(1)(C) and implicating the provisions of §375.1007(4).

5. In three instances, ACFIC failed to effectuate a fair and equitable settlement in which the liability was reasonably clear violating 20 CSR 100-1.020(1)(C) and implicating the provisions of §375.1007(4).

6. In three instances, ACFIC failed to send the insured a written denial letter with specific reference to a policy provision, condition or exclusion in violation of 20 CSR 100-1.050(1)(A) and implicating the provisions of §375.1007(12).

7. In three instances, ACFIC failed to follow its underwriting standards for determining the Replacement Cost Value for the insured's home in violation of §379.318(2) and §379.318(4).

8. In several instances, ACFIC failed to adequately document the basis for changes in coverage on homeowners policies in violation of §375.205.2 and 20 CSR 100-8.040(3)(B).

WHEREAS, the Division and ACFIC have agreed to resolve the issues raised in the Market Conduct Investigations 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.** ACFIC agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agree to maintain those remedial actions at all times. Such remedial actions shall include, but are not limited to, the following:

1. ACFIC agrees to maintain adequate documentation in its claim files to support the handling of the claim, including but not limited to, maintaining adequate documentation of depreciation factors.

2. ACFIC agrees to provide claimants and insureds relevant facts or policy provisions relating to coverage at issue.

3. ACFIC agrees to maintain documentation in its homeowner's underwriting files clearly showing the basis for changes in coverage or changes resulting in premium increases or decreases.

4. Within two years from the date of the Order closing this examination, ACFIC agrees to conduct an internal review, using a statistically valid sample in accordance with the NAIC Market Regulation Handbook from a census of all homeowner's underwriting files that had a premium increase or decrease of 20% or more, to determine whether there is documentation contained in the underwriting file clearly supporting the underwriting decision to increase or decrease premium. Within 60 days from the completion of the review, ACFIC will provide the results of the review to the Division.

5. ACFIC agrees to issue payment in the amount of \$7,760 on claim number

HO0001263741 for the payment of debris removal, including interest at the annual adjusted prime rate of interest as determined by section 32.065, not to exceed nine per cent (9%) interest per annum.

A letter must be included with the payment, indicating that “as a result of a Missouri Market Conduct Examination,” it was found that an additional payment was owed on the claim. ACFIC will determine the proper party or parties entitled to receive payment on this claim under the terms of the policy. ACFIC, in addition to providing documentation of payment as required by Paragraph C below, will provide documentation to the Division supporting ACFIC’s determination as to the proper party or parties entitled to receive payment on the claim. Such documentation is provided pursuant to §374.205 and will be submitted within 90 days of the entry of a final order issued by the Director in this matter.

C. **Compliance.** ACFIC agrees to file documentation with the Division, in a format acceptable to the Division, within 90 days of the entry of a final order of any remedial action taken to implement compliance with the terms of this Stipulation and to document payment of restitution required under the terms of this Stipulation. Such documentation is provided pursuant to §374.205.

D. **Examination Fees.** ACFIC agree to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by the Company pursuant to Paragraphs B and C of this Stipulation.

E. **Voluntary Forfeiture.** ACFIC agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$1,000 such sum payable to the Missouri State School Fund, in accordance with §374.280.

F. **Other Penalties.** The Division agrees that it will not seek penalties against ACFIC, other than those agreed to in this Stipulation, in connection with Market Conduct Examination

#1606-27-TGT.

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

H. **Waivers.** ACFIC, 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 Market Conduct Examination #1606-27-TGT.

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

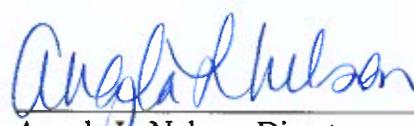
J. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

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

L. **Effect of Stipulation.** This Stipulation shall not become effective until entry of a Final Order by the Director of the Department (hereinafter 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: 8/28/2018



Angela L. Nelson, Director
Division of Insurance Market Regulation

DATED: 8/28/2018

Stewart Freilich
Stewart Freilich
Senior Regulatory Affairs Counsel

DATED: August 21, 2018

Steven R. Schone
Steven R. Schone Vice President Insurance
Auto Club Family Insurance Company

DATED: August 13, 2018

Richard S. Brownlee III
Richard S. Brownlee, III
Auto Club Family Insurance Company