



DEPARTMENT OF COMMERCE & INSURANCE

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

In Re:)
)
MSO, Inc. a/k/a) **Market Conduct Examination No. 382366**
The Mutual Service Office, Inc.)

ORDER OF THE DIRECTOR

NOW, on this 29th day of May, 2023, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of MSO, Inc. a/k/a The Mutual Service Office, Inc. (hereinafter “MSO”), examination report number #382366, prepared and submitted by the Division of Insurance Market Regulation (hereinafter “Division”) pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (“Stipulation”), relating to the market conduct examination #382366, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director’s findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4) and §374.046.15. RSMo, is in the public interest.

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

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

IT IS FURTHER ORDERED that MSO 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.

IT IS FURTHER ORDERED that MSO shall pay, and the Department of Commerce and Insurance, 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 24th day of May, 2023.



Chlora Lindley Myers

Chlora Lindley-Myers
Director

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

In Re:)
)
MSO, Inc., a/k/a) **Market Conduct Examination No. 382366**
The Mutual Service Office, Inc.)
)

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (the "Division"), and MSO, Inc. ("MSO") as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (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, MSO has been granted authority by the Department to act as a Rating Organization in the State of Missouri;

WHEREAS, the Division conducted a market conduct examination of MSO, Examination No. 382366;

WHEREAS, based on the market conduct examination of MSO the Division alleges that:

1. MSO's policies and procedures on anti-trust/anti-competitive practices do not conform to NAIC Market Regulation Handbook Standards in that MSO has no requirement to read an anti-trust statement at the beginning of group meetings.

2. MSO did not promptly file two forms on behalf of its members prior to making them available for use in violation of § 379.321.¹

3. MSO did not file three bulletins/circulars pertaining to form filings that were issued to its members with the Department in violation of 20 CSR 500-4.100(5).

4. MSO failed to provide notice to members regarding filings made on their behalf in violation of §§ 379.321, 379.351 and 374.205, and 20 CSR 500-4.100(5).

5. MSO's database logs procedure does not conform to the NAIC Market Regulation Standards because the Company does not have database control logs set up on the server structure for MSO.

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

A. Scope of Agreement. This Stipulation of Settlement and Voluntary Forfeiture ("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 Stipulation are contractual and not mere recital.

B. Remedial Action. MSO 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 All references, unless otherwise noted, are to Missouri Revised Statutes 2016 as amended.

1. MSO agreed to read an anti-trust statement conforming to the NAIC Market Regulation Handbook Standards at the beginning of group meetings where insurance or insurance companies may be discussed.

2. MSO agrees to file with the Department all forms on behalf of its members prior to making them available for use as required by § 379.321, to make these filings on a timely basis going forward, and to add a process for an additional internal review of the forms or manuals being uploaded to its database.

3. MSO agrees to file bulletins/circulars pertaining to form filings with the Department at the same time these documents are issued to their members.

4. MSO agrees to provide notice to its members regarding filings made on their behalf as required by §§ 379.321, 379.351, and 374.205.

5. MSO agrees to ensure that its database logs procedure conforms to the NAIC Market Regulation Handbook Standards.

C. **Compliance.** MSO agrees to file documentation pursuant to § 374.205 with the Division, in a format acceptable to the Division, within 60 days of the entry of an Order approving this Stipulation, of any remedial action to implement compliance with the terms of Sections B1 through B5 of this Stipulation.

D. **Voluntary Forfeiture.** MSO agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$1,000.00, such sum payable to the Missouri State School Fund, in accordance with §§ 374.049.11 and 374.280.2.

E. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by MSO, this Stipulation being part of a compromise settlement to resolve

disputed factual and legal allegations arising out of the above-referenced market conduct examination.

F. **Waivers.** MSO, 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 examination no. 382366.

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

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 MSO, 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 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 (the "Director") approving this Stipulation.

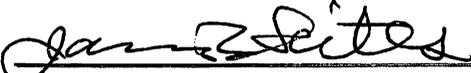
L. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: May 12, 2023

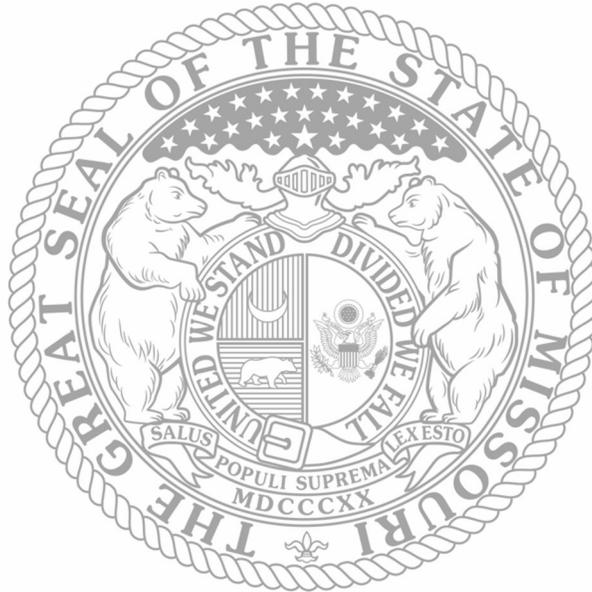


Teresa Kroll
Chief Market Conduct Examiner
Division of Insurance Market Regulation

DATED: April 26, 2023



Janice L. Scites
CEO & President
MSO, INC. a/k/a The Mutual Service
Office, Inc.



MARKET CONDUCT EXAMINATION REPORT

MSO, Inc. A/K/A/ The Mutual Service Office Inc.

MISSOURI SBS EXAMINATION # 382366

Examination End Date, January 19, 2023

**Home Office
139 Harristown Road, Suite 100
Glen Rock, NJ 07452**

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

FOREWORD.....	3
SCOPE OF EXAMINATION.....	3
COMPANY PROFILE.....	4
EXECUTIVE SUMMARY	4
EXAMINATION FINDINGS	5
I. ADVISORY ORGANIZATIONS OPERATIONS/MANAGEMENT/GOVERNANCE.....	5
II. STATISTICAL PLANS	9
III. CORRESPONDENCE WITH INSURERS AND STATES.....	10
IV. DATA COLLECTION AND HANDLING	12
V. REPORTS, REPORT SYSTEMS AND OTHER DATA REQUESTS	13
VI. CLASSIFICATION AND APPEAL HANDLING	14
VII. RATEMAKING FUNCTIONS	15
VIII. INSPECTION SERVICES	15
IX. FORM DEVELOPMENT.....	15
X. CRITICISMS AND FORMAL REQUESTS TIME STUDY	16
EXAMINATION REPORT SUBMISSION.....	18

January 19, 2023

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your market conduct examination warrant, a targeted market conduct examination has been conducted of the specified business practices of

MSO, Inc. A/K/A The Mutual Service Office, Inc.

hereinafter referred to as MSO, Inc or as the Company. This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI).

FOREWORD

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DCI.

During this examination, the examiners cited errors considered potential violations made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- “Company” or “MSO, Inc” refers to The Mutual Service Office, Inc.
- “CSR” refers to the Missouri Code of State Regulation
- “DCI” refers to the Missouri Department of Commerce and Insurance
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance
- “NAIC” refers to the National Association of Insurance Commissioners
- “RSMo” refers to the Revised Statutes of Missouri

SCOPE OF EXAMINATION

The DCI has authority to conduct this examination pursuant to, but not limited to, §§ 374.110, 374.190, 374.205, 375.938, 375.1009, 379.343, and 379.475, RSMo, and was conducted in accordance with § 374.205.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DCI regulations. The primary period covered by this review is January 1, 2018, through December 31, 2020, unless otherwise noted. Errors found outside of this time period may also be included in the report.

The examination was a targeted examination involving the following business functions: Advisory Organizations Operations/Management/Governance; Statistical Plans; Data Collection and Handling; Correspondence with Insurers and States; Reports, Report Systems and Other Data Requests; Ratemaking Functions; Classification and Appeal Handling; Form Development; Inspection Services; Residual Market Functions-Plan Administration; and Residual Market Functions-Reinsurance Administration. Based on documentation attached to the warrant, this is a statutorily mandated examination pursuant to § 379.475.3, RSMo.

The examination was conducted in accordance with the standards in the NAIC's 2022 *Market Regulation Handbook*. In performing this examination, the examiners reviewed only a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been found. As such, this report may not fully reflect all of the practices and procedures of the Company.

COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

MSO, Inc., also known as The Mutual Service Office, Inc., is a licensed rating organization with programs filed in the 48 contiguous United States and the District of Columbia. MSO, Inc. is a nonprofit corporation organized under the laws of the state of New Jersey. MSO was originally incorporated in 1944 as The Mutual Service Office, and has been operating continuously since that time. In 1991, the corporation was reorganized and incorporated in New Jersey as a nonprofit corporation under the name, MSO, Inc. From 1944 to 1983, MSO operated solely in New Jersey, and since 1983 operations have expanded.

EXECUTIVE SUMMARY

The DCI conducted a targeted market conduct examination of MSO, Inc. The examiners found the following areas of concern:

ADVISORY ORGANIZATIONS OPERATIONS/MANAGEMENT/GOVERNANCE

- The Company does not have a practice or policy of reading an anti-trust statement at the beginning of all meetings. Reference: NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/ Governance, Standard 1
- The Company failed to file two forms on behalf of its members prior to making them available for use by its members, as required. Reference: § 379.321, RSMo., and 20 CSR 500-4.100(5)
- The Company failed to file with the DCI three bulletins/circulars issued to its members pertaining to form filings. Reference: § 374.045, RSMo., and 20 CSR 500-4.100(5)
- The Company failed to provide notification to its members of filings filed on their behalf. Reference: §§ 379.321, 379.351, 374.045, RSMo., and 20 CSR 500-4.100(5)

DATA COLLECTION AND HANDLING

- The Company does not have database control logs set up on the server structure for MSO, Inc. Reference: NAIC Market Regulation Handbook Chapter 29 Data Collection and Handling, Standard 3

EXAMINATION FINDINGS

I. ADVISORY ORGANIZATIONS OPERATIONS/MANAGEMENT/GOVERNANCE

The operations/management/governance portion of the examination provides a review of how the Company manages its operations.

A. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 1: **The advisory organization has implemented written policies and procedures to prevent anti-competitive practices in the insurance marketplace, as related to the advisory organization’s services and communications to insurers.**

To test for this standard, examiners requested and reviewed service agreements and subscriber agreements with insurers, board of directors and other committee meeting minutes, employee training materials and handbook, and policies and procedures applicable to anti-competitive practices to determine if the Company provides guidance to its staff and has adopted practices to prevent anti-competitive activity.

Finding 1: The Company does not have a practice of reading an anti-trust statement at the beginning of all its meetings as a reminder to their attendees. The Company’s policy and procedures on anti-trust/anti-competitive practices do not conform to NAIC Market Regulation Handbook Standards. See Appendix.

Reference: NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance: Standard 1

B. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 2: **The advisory organization uses sound actuarial principles for the development of prospective loss costs.**

To test for this standard, examiners requested and reviewed the Company’s actuarial guidelines, processes and procedures for the development of loss costs to determine if the Company uses data that is applicable, complete and actuarially sound, and to determine if the Company has procedures in place to test the soundness of data used for the development of loss costs to ensure that the prospective loss costs developed by the Company does not contribute to premiums that are inadequate, excessive or unfairly discriminatory.

No areas of concern were noted.

C. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/ Management/Governance Standard 3: The advisory organization prepares, submits filings as necessary, adheres to applicable state filing and/or approval requirements and written procedures prior to distribution of prospective loss costs, policy forms, endorsements, factors, classifications or rating rule manuals.

To test for this standard, examiners requested and reviewed the Company's policies and procedures related to filings, a list of filings by SERFF tracking number, communications and manuals provided to its members and subscribers, and policy forms.

Finding 1: The Company failed to file with the DCI two forms on behalf of its members prior to making the forms available for use by its members, as required. See Appendix.

Reference: § 379.321, RSMo., and 20 CSR 500-4.100(5)

Finding 2: The Company failed to file with the DCI three bulletins/circulars issued to its members pertaining to form filings. See Appendix.

Reference: § 374.045, RSMo., and 20 CSR 500-4.100(5)

Finding 3: The Company failed to provide notification to its members of filings filed on their behalf. See Appendix.

Reference: §§ 379.321, 379.351, 374.045, RSMo., and 20 CSR 500-4.100(5)

D. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 4: Experience rating factors are developed in a correct and timely manner.

To test for this standard, examiners requested and reviewed the Company's policies and procedures for development of experience rating modification factors and random samples of developed individual experience rating modification factors to determine if the Company has a procedure in place to accurately and timely develop experience rating factors for its members and subscribers.

No areas of concern were noted.

E. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 5: The advisory organization performs thorough and meaningful inspections and research when required for individual insured rating classification.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company's business. The Company does not offer inspection services in Missouri.

F. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 6: The advisory organization develops sound, understandable and appropriate risk classifications.

To test for this standard, examiners requested and reviewed the Company’s classification manuals and appeals/grievances related to classifications to determine if the classifications and manuals provide clear guidance, classifications are developed in a manner that leads to consistent handling of risks, and the risk classification include only risks with similar expected loss exposure, within each rating class.

No areas of concern were noted.

G. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 7: Loss Control services are effective and based on valid risk management, engineering and scientific evidence.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company’s business. The MSO inspection service provides some elements of loss control, but the Company does not offer this service in Missouri.

H. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 8: The advisory organization conducts ongoing research and review of state insurance laws and insurance related case law in order to be responsive to necessary changes in prospective loss costs, policy forms, endorsements, factors, classifications or manuals, as applicable.

To test for this standard, examiners requested and reviewed the Company’s processes and procedures for researching insurance laws and case law and filings made to the department to determine if the Company conducts research into law changes during regular and reasonable intervals, and it makes the appropriate modifications, additions, deletions or withdrawals.

No areas of concern were noted.

I. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 10: When performing analysis and impact studies of proposed legislation, the advisory organization presents thorough and objective information.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company’s business. The Company stated it “has not had requests for legislative impact studies.”

J. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 11: The advisory organization has an up-to-date, valid or external audit program.

To test for this standard, examiners requested and reviewed the organization's audit plan, procedural manuals, and audit reports and results for the exam timeframe to determine how management uses the reports, if the Company responds to audit recommendations to correct, modify and implement procedures, and if the audit program includes the testing of the accuracy of the statistical and informational systems.

No areas of concern were noted.

K. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 12: The advisory organization has appropriate controls, safeguards and procedures for protecting the integrity of computer information.

To test for this standard, examiners requested and reviewed the Company's electronic records control and procedure manuals, and any outside contracts to determine if the Company has adequate physical security procedures related to the computer processing facilities and the network, logical security and computer system control procedures.

No areas of concern were noted.

L. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 13: The advisory organization has a valid disaster recovery plan.

To test for this standard, examiners requested and reviewed the Company's disaster recovery plan, procedural manuals and controls, and any outside contracts to ensure that critical business applications, databases and files are regularly backed up and stored off-site, and recovery procedures are current, detailed and repeatable.

No areas of concern were noted.

M. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 14: The advisory organization is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the advisory organization.

To test for this standard, examiners requested and reviewed the Company's contracts and audit reports to determine if the Company is adequately monitoring the activities of the contracted entity.

No areas of concern were noted.

N. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 15: Records are adequate, assessable, consistent and orderly and comply with state record retention requirements.

To test for this standard, examiners documented the Company's record retention policy and schedule to determine if it complies with Missouri record retention requirements and determine compliance with record retentions requirements based on the response the Company provides through the examination process.

No areas of concern were noted.

O. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 16: The advisory organization is appropriately licensed.

To test this standard, examiners requested and reviewed the Company's license to determine that the Company is properly licensed for all activities in which the Company is engaged.

No areas of concern were noted.

P. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 17: The advisory organization cooperates on a timely basis with examiners performing the examinations.

To test this standard, examiners requested and reviewed the Company's responsiveness to examiners during the examination.

No concerns were noted.

Q. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 18: The advisory organization has developed and implemented written policies, standards and procedures for the management of insurance information.

To test this standard, examiners requested and reviewed the Company's procedural and training manuals, audit reports, bulletins/memos regarding insurance information, and outside contracts to determine if the organization has set standards for handling, disclosing, storing and disposing of insurance information and whether it complies with state law.

No areas of concern were noted.

II. STATISTICAL PLANS

The purpose of this portion of the examination is to verify the statistical agent maintains adequate statistical plans in accordance with Missouri law, and that the data are reported in accordance with the statistical plans. It is also intended to measure a statistical agent's compliance with statistical plan filing requirements.

A. NAIC Market Regulation Handbook Chapter 29 – Statistical Plans Standard 1: The statistical agent has filed its statistical plan in accordance with applicable statutes, rules and regulations.

To test for this standard, examiners requested and reviewed the Company’s documentation showing that statistical plans have been filed.

No areas of concern were noted.

B. NAIC Market Regulation Handbook Chapter 29 – Statistical Plans Standard 2: The statistical plans are reviewed and updated in accordance with applicable statutes, rules and regulations.

To test for this standard, examiners requested and reviewed the Company’s statistical plans to determine if the plans are periodically updated and in compliance with Missouri law.

No areas of concern were noted.

C. NAIC Market Regulation Handbook Chapter 29 – Statistical Plans Standard 3: The statistical agent verifies that companies submit data in accordance with the appropriate statistical plan.

To test for this standard, examiners requested and reviewed the Company’s annual call for statistical submissions, the technical requirements for reporting, and its edit documentation to determine if the statistical agent’s member companies are submitting complete and accurate data, and to determine if the statistical agent’s procedures in collecting complete and accurate statistical information is effective.

No areas of concern were noted.

III. CORRESPONDENCE WITH INSURERS AND STATES

The purpose of this portion of the examination is to verify the statistical agent promptly notifies the insurer and state regulators when a problem with the data is found, and then follow-up, if the insurer does not respond timely.

A. NAIC Market Regulation Handbook Chapter 29 – Correspondence with Insurers and States Standard 1: The statistical agent keeps track of companies that fail to meet deadlines.

To test for this standard, examiners requested and reviewed the submission control files, financial incentive program or penalty structure (if it exists), late company monitoring and reporting procedures, and a sample of communications to insurers that fail to meet deadlines to determine if insurers that fail to meet deadlines are identified and notified and if an incentive/penalty program exists, it is applied as written.

No areas of concern were noted.

B. NAIC Market Regulation Handbook Chapter 29 – Correspondence with Insurers and States Standard 2: The statistical agent has established procedures for notifying companies (and regulators, as requested or required) of material errors and for correcting those errors.

To test for this standard, examiners requested and reviewed data validation reports, submission control files, communications to insurers and regulators, and financial incentive or penalty structure, if it exists, to confirm that appropriate procedures exist for notifying companies and regulators as required of material errors and for correcting those errors.

No areas of concern were noted.

C. NAIC Market Regulation Handbook Chapter 29 – Correspondence with Insurers and States Standard 3: The statistical agent maintains a follow-up procedure with companies that have reporting errors or questions.

To test for this standard, examiners requested and reviewed the Company's communication procedures, financial incentive program or penalty structure, and a sample of correspondence/contact documentation to determine that the company has a procedure that is appropriate and that it is using it.

No areas of concern were noted.

D. NAIC Market Regulation Handbook Chapter 29 – Correspondence with Insurers and States Standard 4: Review any additional data quality programs maintained by the statistical agent pertaining to data collected pursuant to the statistical plan.

To test for this standard, examiners requested and reviewed the Company's educational programs/materials, support procedures, financial incentive programs or penalty structure, executive evaluations, and any individual company assistance that statistical agent uses to promote data quality to determine the extent that other data quality programs are in use by the Company.

No areas of concern were noted.

E. NAIC Market Regulation Handbook Chapter 29 – Correspondence with Insurers and States Standard 5: With each standard premium and loss report to the states, the statistical agent provides a listing of companies whose data is included in the compilations and a historical report listing insurers whose data for the state was excluded, as set forth in Section 2.4 of the Statistical Handbook of Data Available to the Insurance Regulators.

To test for this standard, examiners requested and reviewed the Company's standard premium and loss reports to states, and support procedures with the Statistical Handbook of Data to ensure the applicable lists are included with state reports.

No areas of concern were noted.

IV. DATA COLLECTION AND HANDLING

The purpose of this portion of the examination is to verify that the statistical agent adequately test reported data for validity, completeness and reasonableness.

A. NAIC Market Regulation Handbook Chapter 29 – Data Collection and Handling Standard 1: The statistical agent’s series of edits are sufficient to catch material errors in data submitted by a company.

To test for this standard, examiners requested and reviewed the Company’s edit report, distributional edit procedures and edit definitions to determine if all required data elements were tested and to verify that material errors are adequately identified.

No areas of concern were noted.

B. NAIC Market Regulation Handbook Chapter 29 – Data Collection and Handling Standard 2: All data is collected pursuant to the statistical plan is run through the editing process.

To test for this standard, examiners requested and reviewed the Company’s submission control and balance procedures, submission control files, and a sample of edit and distribution reports to verify that all submissions are subject to the editing process.

No areas of concern were noted.

C. NAIC Market Regulation Handbook Chapter 29 – Data Collection and Handling Standard 3: Determine that all databases are updated as needed with all accepted company data.

To test for this standard, examiners requested and reviewed the Company’s database control logs and a sample of database update balancing reports to confirm that appropriate data is moved to databases.

Finding 1: The Company’s database control logs procedure do not conform to NAIC Market Regulation Standards. The Company does not have database control logs set up on the server structure for MSO, Inc. See Appendix.

Reference: NAIC Market Regulation Handbook Chapter 29 – Data Collection and Handling Standard 3

D. NAIC Market Regulation Handbook Chapter 29 – Data Collection and Handling Standard 4: Determine that financial data is reconciled to the State Page – Exhibit of

Premiums and Losses, Statutory Page 14, of the NAIC annual statement on an annual basis.

To test for this standard, examiners requested and reviewed the Company's financial reconciliation procedures and a sample of financial reconciliation reports to confirm reconciliations are performed and reconciliation criteria are adequate.

No areas of concern were noted.

E. NAIC Market Regulation Handbook Chapter 29 – Data Collection and Handling Standard 5: Determine that all calculations associated with the database have been accurately applied.

To test for this standard, examiners requested and reviewed the Company's documentation of database specifications and a sample of database control reports to confirm that specifications have been accurately applied.

No areas of concern were noted.

F. NAIC Market Regulation Handbook Chapter 29 – Data Collection and Handling Standard 6: Where applicable, determine that the statistical agent employs use of data completeness tests as outlined in the Statistical Handbook of Data Available to Insurance Regulators.

To test for this standard, examiners requested and reviewed the Company documentation of database specifications and a sample of database control reports to confirm that data completeness tests have been performed.

No areas of concern were noted.

V. REPORTS, REPORT SYSTEMS AND OTHER DATA REQUESTS

The purpose of this portion of the examination is to review the statistical agent's reports and internal procedures for preparing reports and responding to data requests, including a review for timeliness and quality of the response.

A. NAIC Market Regulation Handbook Chapter 29 – Reports, Report Systems, and Other Data Requests Standard 1: All calculations used to develop the database have been performed accurately.

To test for this standard, examiners requested and reviewed the statistical agent's documentation of report specifications, and a sample of database control reports to confirm that specifications have been accurately applied.

No areas of concern were noted.

B. NAIC Market Regulation Handbook Chapter 29 – Reports, Report Systems, and Other Data Requests Standard 2: The statistical agent has accurately extracted the appropriate information from the statistical database.

To test for this standard, examiners requested and reviewed the Company’s report system specifications documentation and a sample of data extraction control reports to determine if the appropriate data has been included.

No areas of concern were noted.

C. NAIC Market Regulation Handbook Chapter 29 – Reports, Report Systems, and Other Data Requests Standard 3: Any data extracted from the database has been accurately reviewed with any additional data obtained directly from a company in preparing a response to a data request.

To test for this standard, examiners requested and reviewed report system specifications documentation and a sample of data extraction control reports to determine if the appropriate data has been included.

No areas of concern were noted.

D. NAIC Market Regulation Handbook Chapter 29 – Reports, Report Systems, and Other Data Requests Standard 4: Data collected, in addition to the data collected under the statistical plan, was adequately reviewed for quality and complied according to the applicable statute, rules and regulations.

To test for this standard, examiners requested and reviewed data quality procedures and a sample of data validation reports and system control reports to determine if the data was adequately reviewed for quality and correctly compiled.

No areas of concern were noted.

VI. CLASSIFICATION AND APPEAL HANDLING

The purpose of this portion of the examination is to review the Company’s classification and appeal processes.

A. NAIC Market Regulation Handbook Chapter 29 – Classification and Appeal Handling Standard 1: The advisory organization takes adequate steps to finalize and dispose of the classification appeal in accordance with applicable statutes, rules and regulations, and written manuals and procedures.

To test for this standard, examiners requested and reviewed the Company’s listing of appeals, supporting documentation, such as manuals, and the Company’s correspondence relating to appeals to verify the Company follows it and fully addresses the issues raised. Examiners also ensure that appeal responses are timely, complete and responsive to all issues raised, include

adequate documentation to support its position, and actions are appropriate, and actions comply with all applicable statutes, rules and policy provisions, and remedies for the consumer are identified.

No areas of concern were noted.

VII. RATEMAKING FUNCTIONS

The purpose of this portion of the examination is to review the advisory organization's ratemaking, reports and reporting systems, if any, as well as the advisory organization's internal procedures for preparing related reports and responding to data requests, including the timeliness and quality of the response.

A. NAIC Market Regulation Handbook Chapter 29 – Ratemaking Functions Standard 1: The advisory organization submits filings and/or submissions to the state within the established time frame.

To test for this standard, examiners requested and reviewed rate/loss cost and rule filings, other correspondence with the department regarding rates/loss costs, and communications and manuals provided by the Company to its subscribers to determine: (i) compliance with Missouri statutes and regulations, (ii) timely response to request for information in the filing, (iii) that the Company prepares and disseminates information on a timely basis, (iv) that the Company provides accurate information to its subscribers relating to the state's approval status and approved usage date of regulated materials and services (rates/loss costs).

No areas of concern were noted.

VIII. INSPECTION SERVICES

The purpose of this portion of the examination is to review the Company's processes for ensuring proper classification of risks that are subject to inspection and that the results of the inspection are provided to carriers and insureds.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company's business. The Company does not offer inspection services in Missouri.

IX. FORM DEVELOPMENT

The form development portion of the examination provides a review of the Company's processes for development, maintenance and filing of forms for insurance programs.

A. NAIC Market Regulation Handbook Chapter 29 – Form Development Standard 1: The advisory organization has processes in place to identify and provide subscribers with necessary changes (by virtue of changes in state law or case law) to advisory forms.

To test for this standard, examiners requested and reviewed the Company’s procedure for communications of changes to forms and communications with companies regarding changes to applicable forms to determine if the Company has a process and utilizes it.

No areas of concern were noted.

B. NAIC Market Regulation Handbook Chapter 29 – Form Development Standard 2: The advisory organization has quality assurance processes in place to review submissions of forms prior to filing or submitting to the applicable state.

To test for this standard, the examiners requested and reviewed the Company’s procedural information for developing form language to determine if the organization uses readability tools, such as Flesch test, and procedures for quality control.

No areas of concern were noted.

X. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri statutes and regulations require companies to respond to criticisms and formal requests within 10 calendar days. In the event an extension of time was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the subsequent time frame. If the response was not received within the allotted time, the response was not considered timely.

A. Criticism Time Study

Number of Calendar Days to Respond	Number of Criticisms	Percentage of Total
0 to 10 days	3	43%
Over 10 days with extension	4	57%
Over 10 days without extension or after extension due date	0	0%
Totals	7	100%

No areas of concern were noted.

B. Formal Request Time Study

Number of Calendar Days to Respond	Number of Requests	Percentage of Total
0 to 10 days	24	77%
Over 10 days with extension	7	23%

Number of Calendar Days to Respond	Number of Requests	Percentage of Total
Over 10 days without extension or after extension due date	0	0%
Totals	31	100%

No areas of concern were noted.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of MSO, Inc., a Rating Organization, Examination Number 382366. This examination was conducted by Examiner-In-Charge, Julie Hesser, CIE, CPCU, MCM; Rachel Crowe, AIE, MCM; Dana Whaley, AIE, MCM; and Jon Meyer, CIE, MCM. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated January 19, 2023. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

May 12, 2023

Date



Teresa Kroll
Chief Examiner, Market Conduct