

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

In Re:)
)
 TRADERS INSURANCE COMPANY) **Market Conduct Examination**
 (NAIC #42749)) **1511-110-TGT**

ORDER OF THE DIRECTOR

NOW, on this 23rd day of February, 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 Traders Insurance Company (NAIC #42749) (hereinafter "Traders"), 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 Traders 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 Traders shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place Traders 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 Traders shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$4,500.00 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 23rd day of February, 2018.



Chlora Lindley-Myers
Chlora Lindley-Myers
Director

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STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter, the “Division”), and Traders Insurance Company (NAIC #42749) (hereinafter “Traders”), 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, Traders 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 Traders, examination #1511-110-TGT; and

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

1. In 14 instances, Traders failed to maintain all documentation in files in violation of §374.205.2(2)¹ and 20 CSR 100-8.040(3)(B).
2. In two instances, Traders failed to provide a claim file for examiners to review in

¹ All references, unless otherwise noted, are to Revised Statutes of Missouri 2000, as amended.

violation of §374.205.2(2) and 20 CSR 100-8.040(3)(B).

3. In one instance, Traders failed to document and record a complaint in its Complaint Register in violation 20 CSR 100-8.040(3)(D) and implicating the provisions of §375.936(3).

4. In one instance, Traders failed to disclose medical payments coverage to an insured in violation of 20 CSR 100-1.020(1)(A) and implicating the provisions of §375.1007(1).

5. In one instance, Traders failed to respond to a pertinent communication from a claimant within 10 days in violation of 20 CSR 100-1.030(2) and implicating the provisions of §375.1007(2).

6. In one instance, Traders failed to provide a medical payments form to an insured within 10 days implicating the provisions of §375.1007(2) & (3).

7. In one instance, Traders failed to investigate and identify an uninsured motorist claimant implicating the provisions of §375.1007(3).

8. In one instance, Traders failed to investigate the extent of injuries sustained by an insured implicating the provisions of §375.1007(3).

9. In 20 instances, Traders failed to follow Company guidelines implicating the provisions of §375.1007(3).

10. In 22 instances, Traders failed to document its files showing the inception, handling and disposition of the claim in violation of §374.205.2, 20 CSR 100-8.040(3)(B) and 20 CSR 100-1.050(2)(E) and implicating the provisions of §375.1007(3).

11. In two instances, Traders failed to send insureds an explanation within 45 days as to why the claim filed remained open in violation of 20 CSR 100-1.050(1)(C) and 20 CSR 100-1.010(F) and implicating the provisions of §375.1007(4).

12. In two instances, Traders failed to settle claims within 30 days when the claims could

have reasonably been settled within 30 days implicating the provisions of §375.1007(4).

13. In two instances, Traders failed to pay the Medical Payments coverage limits in violation of 20 CSR 500-2.100(2)(G)1 and implicating the provisions of §375.1007(4).

14. In one instance, Traders failed to pay a claim when liability was clear in violation of 20 CSR 100-8.040(3)(B)3 and implicating the provisions of §375.1007(4).

15. In four instances, Traders improperly deducted betterment on claim settlements implicating the provisions of §375.1007(4).

16. In four instances, Traders failed to effectuate a fair and equitable settlement in connection with Unrepaired Prior Damage claims implicating the provisions of §375.1007(4).

17. In three instances, Traders failed to use a salvage bid in the file when determining salvage retention amount and did not explain its reason for doing so implicating the provisions of §375.1007(4).

18. In two instances, Traders deducted Unrepaired Prior Damage amounts that were contrary to the appraiser's notes implicating the provisions of §375.1007(4).

19. In 152 instances, Traders failed to adopt and implement reasonable standards for total loss claims in violation of §375.1007(3).

WHEREAS, Traders disagrees with certain findings found during the Market Conduct Examination and it is the position of Traders that this Stipulation of Settlement and Voluntary Forfeiture (hereinafter "Stipulation") is a compromise of disputed facts and legal allegations. The signing of this Stipulation and Traders consent to take the remedial actions required by it does not constitute an admission of wrongdoing or liability on its part and is done to fully and completely resolve the Market Conduct Examination.

WHEREAS, the Division and Traders have agreed to resolve the issues raised in the Market

Conduct Examination as follows:

A. **Scope of Agreement.** This 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.** Traders 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. To the extent it has not already done so, Traders agrees to follow Company Guidelines regarding deductions for Unrepaired Prior Damage.

2. To the extent it has not already done so, Traders agrees to document the inception, handling and disposition of claims in its Claim Files in accordance with §374.205.2 (2) and 20 CSR 100-8.040 (3) (B).

3. Traders will not reduce claim settlements for unrepaired prior damage, betterment, depreciation, or salvage, without having adequate documentation supporting said reduction in the claim file, including an explanation as to why it chose not to use any salvage bid in the file.

4. To the extent it has not already done so, Traders agrees to record all complaints in its Complaint Register.

5. Traders agrees to provide the Division with its claims handling guidelines related to total losses, prior damage, betterment and salvage. Traders shall work with the Division in good faith to address any concerns the Division may have regarding these guidelines. Traders shall follow their guidelines for claim handling on a going forward basis.

6. Traders agrees to pay Medical Payments, up to its coverage limits, on all claims where Medical Payments coverage is implicated under its policy.

7. To the extent it has not already done so, Traders agrees to adopt and implement reasonable standards for determining the actual cash value of total loss vehicles.

8. Traders agrees to a) review all auto total loss claims with unrepaired prior damage found during the examination period of January 1, 2012 to December 31, 2014, and b) reimburse the claimant for the amount of the undervaluation. In determining whether a claim was undervalued, Traders agrees to use a method and process approved by the Division. A letter shall accompany the payment indicating that as a result of a Missouri Market Conduct Examination it was determined that an additional amount was owed on the claim. Traders represents that they will be reimbursing at least \$11,517 to claimants.

9. Traders agrees to review all auto total loss claims containing an adjustment for betterment found during the examination period of January 1, 2012 to December 31, 2014 to determine if such repair as documented in the claim file (1) increased the overall ACV value of the vehicle; and (2) replaced a complete part, completed an entire assembly, or completed an entire repair process to justify the betterment adjustment. If such deduction does not meet these requirements, Traders agrees to reimburse the claimants accordingly for the underpayment. A letter shall accompany the payment indicating that as a result of a Missouri Market Conduct Examination it was determined that an additional amount was owed on the claim.

10. Traders agrees to review all auto loss claims from January 1, 2012 to the date of the Order adopting this Stipulation, where a claimant sustained an injury, to determine if a payment should have been made pursuant to the claimant's Medical Payments coverage. In the event that a Medical Payments payment was due under the terms of the policy and was not made, Traders agrees

to make such payment to the claimant. A letter shall accompany the payment indicating that as a result of a Missouri Market Conduct Examination it was determined that an additional amount was owed on the claim.

C. **Compliance.** Traders 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.** Traders agrees to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by the Company pursuant to Paragraph C of this Stipulation.

E. **Voluntary Forfeiture.** Traders agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$4,500.00 such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo. Supp. 2013.

F. **Other Penalties.** The Division agrees that it will not seek penalties against Traders, other than those agreed to in this Stipulation, in connection with Market Conduct Examination #1511-110-TGT.

G. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by Traders, 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.** Traders, 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 #1511-110-TGT.

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

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 Traders 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: 2-23-2018 
Angela L. Nelson, Director
Division of Insurance Market Regulation

DATED: 2-20-2018 
Stewart Freilich
Senior Regulatory Affairs Counsel

DATED: 1-30-2018 
[NAME and TITLE]
Traders Insurance Company