

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

*In Re:*

AMERICAN PET INSURANCE COMPANY )  
(NAIC #12190) ) Market Conduct Investigation  
No. 14002-12190-PC

**ORDER OF THE DIRECTOR**

NOW, on this 26<sup>th</sup> day of OCTOBER, 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 American Pet Insurance Company (NAIC #12190) (hereinafter "APIC"), relating to the market conduct investigation set out in the caption above, does hereby issue the following orders:

This order, issued pursuant to §374.046.15<sup>1</sup> and §374.280 is in the public interest.

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

**IT IS FURTHER ORDERED** that APIC shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place APIC 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 APIC shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$15,000.00, 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 26<sup>th</sup> day of OCTOBER, 2018.



*Chlora Lindley-Myers*  
Chlora Lindley-Myers  
Director

<sup>1</sup> All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended.

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

*In Re:* )  
 )  
AMERICAN PET INSURANCE COMPANY) **Market Conduct Investigation**  
(NAIC #12190) ) **No. 14002-12190-PC**

**STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and American Pet Insurance Company (NAIC #12190) (hereinafter “APIC”), 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;

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

**WHEREAS**, the Division conducted a Market Conduct Investigation of APIC; and

**WHEREAS**, based on the Market Conduct Investigation of APIC, the Division alleges that:

1. APIC issued third party liability coverage and collected premium from twenty-eight (28) Missouri insureds without the required B2-Liability line of authority in violation of §375.310<sup>1</sup> and §375.786.
2. APIC informed the Division on April 10, 2014 that it would apply for the required

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<sup>1</sup> All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended.

B2-Liability line of authority, but failed to do so.

**WHEREAS**, APIC asserts that with respect to allegation No. 2 above, that at the time of their response, it was APIC's intent to obtain its B2-Liability line of authority. However, after further review of this line of business, APIC decided against completing the application at that time. APIC acknowledges that it failed to inform the Division of its decision.

**WHEREAS**, the Division and APIC 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.** APIC agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably assure that the errors noted in the Market Conduct Investigation do not recur. Such remedial actions shall include, but not be limited to, the following:

1. APIC represents that it has discontinued writing and offering policies with the third party liability coverage. APIC agrees to withdrawal all form filings with third party liability coverage. If APIC wishes to offer third party liability coverage in the future, APIC agrees to provide written notice to the Department, make application for an amended certificate of authority to include B2-liability authority, and receive such authority and approval from the Director of the Department (hereinafter the "Director"), prior to writing or offering third party liability coverage in Missouri.

2. APIC agrees to voluntarily provide remediation in the form of premium refunds to the 28 insureds identified in the Investigation Report since March 2014 to the date of the order closing this investigation, including interest at the annual adjusted prime rate of interest as determined by sections 374.191 and 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 Investigation,” it was determined that the policyholder is entitled to a refund of premium.

3. APIC agrees to implement a process and procedure to send a questionnaire to all policyholders at least annually to determine if any conditions occurred during the policy period that may require a change in coverage or premium, including, but not limited to, a question designed to determine whether a covered pet remains alive. Upon receiving notice of a pet’s death, APIC agrees to refund premium to policyholders retroactive to the date of death.

4. APIC represents it has caused notices to be sent to the 14 remaining insureds discontinuing their third party liability coverage.

5. Moreover, APIC represents that is has implemented a number of remedial actions following a Consent Order entered into with the Washington Office of the Insurance Commissioner in July 2016. APIC further represents it has applied these remedial actions to Missouri residents as it did for Washington residents, and specifically agrees to continue the following:

a. APIC agrees not assume or use any name, which is deceptively similar to the name of any other domestic insurer or foreign insurer authorized to transact business in Missouri.

b. APIC agrees to adequately maintain and timely provide to the Department, upon request, all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined.

c. APIC agrees not to use rates which unfairly discriminate between risks in the application of like charges and credits or which unfairly discriminate between risks having essentially the same hazard.

d. APIC agrees that it will not make, publish, disseminate, circulate, or place before the public any untrue, deceptive or misleading advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any insurer in the conduct of the insurance business.

e. APIC agrees that it will not make, issue, or circulate, any estimate, illustrations, circular or statement, sales presentation, omission, or comparison which misrepresents the benefits, advantages, conditions, or terms of the policy or misrepresents for the purpose of inducing or tending to induce the purchase of any policy.

f. APIC agrees that it will not pay or allow or give or offer to pay, allow, or give, directly or indirectly, as inducement to such insurance, any rebate of premiums payable on the contract, or any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration or inducement to an insured or prospective insured with the intention of inducing the purchase of an insurance contract or providing such item to an insured or prospective insured outside the provisions of the insurance contract.

g. APIC agrees to utilize only licensed insurance producers to sell, solicit or negotiate insurance in this state. APIC further agrees that it will not pay any commission or other compensation to any person or entity for any services, in obtaining in this state any contract of insurance except to a licensed insurance producer of APIC.

h. APIC agrees that it will not accept insurance business from managing general agents without an approved written contract between APIC and the managing general agent. APIC

further agrees that within thirty days of entering into a contract with a managing general agent, APIC shall provide written notification of such appointment to the Director.

i. APIC agrees to only issue policy and certificate forms that have been filed with the Director for review and disposition. APIC further agrees that before inserting any language in policies or certificates, such language shall be filed with the Director.

j. APIC agrees to file with the Director every manual of classifications, rules, underwriting rules and rates, every rating plan and every modification which it uses and the policies and forms to which such rates are applied. APIC further agrees not to make or issue a policy or contract not in accordance with its rate filing then in effect.

k. APIC agrees to mail or deliver a notice of cancellation of a policy to the named insured at least thirty days prior to the effective date of cancellation, unless the cancellation is for nonpayment of premium then at least ten days' notice of cancellation shall be given.

l. APIC agrees that the notice referenced in Paragraph B (5) (k) shall state the insurer's actual reason for canceling, denying, or refusing to renew insurance and shall be sent by a higher class of United States Postal Service mail service than required by law.

C. **Compliance.** APIC agrees to file documentation with the Division within ninety (90) days of the entry of a final order of all remedial action taken to implement compliance with the terms of this stipulation and to document payment of remediation required by this stipulation. Such documentation is provided pursuant to §374.190.

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

E. **Voluntary Forfeiture.** APIC agrees, voluntarily and knowingly, to surrender and

forfeit the sum of \$15,000, such sum payable to the Missouri State School Fund in accordance with §374.049.11 and §374.280.2.

F. **Other Penalties.** The Division agrees that it will not seek penalties against APIC, other than those agreed to in this Stipulation, in connection with Market Conduct Investigation #14002-12190-PC.

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

H. **Waivers.** APIC, 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 above referenced Market Conduct Investigation.

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

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 APIC respectively.

L. **Effect of Stipulation.** This Stipulation shall become effective only upon entry of a Final Order by 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: 10/17/2018

  
\_\_\_\_\_  
Angela Nelson  
Director, Division of Insurance  
Market Regulation

DATED: 10/22/2018

  
\_\_\_\_\_  
Stewart Freilich  
Senior Regulatory Affairs Counsel  
Division of Insurance Market Regulation

DATED: October 8, 2018

  
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Gavin Friedman  
General Counsel and SVP, Regulatory  
American Pet Insurance Company