

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

<i>In Re:</i>	)	
	)	
<b>LIBERTY INSURANCE CORPORATION (NAIC #42404)</b>	)	<b>Market Conduct Examination No. 1610-60-TGT</b>
	)	
<b>SAFECO INSURANCE COMPANY OF ILLINOIS (NAIC #39012)</b>	)	<b>Market Conduct Examination No. 1610-61-TGT</b>
	)	
<b>LM GENERAL INSURANCE COMPANY (NAIC #36447)</b>	)	<b>Market Conduct Examination No. 1610-62-TGT</b>
	)	
<b>LM INSURANCE CORPORATION (NAIC #33600)</b>	)	<b>Market Conduct Examination No. 1610-63-TGT</b>
	)	
<b>FIRST LIBERTY INSURANCE CORP (NAIC #33588)</b>	)	<b>Market Conduct Examination No. 1610-64-TGT</b>
	)	
<b>WAUSAU BUSINESS INSURANCE COMPANY (NAIC #26069)</b>	)	<b>Market Conduct Examination No. 1610-65-TGT</b>
	)	
<b>WAUSAU UNDERWRITERS INSURANCE COMPANY (NAIC #26042)</b>	)	<b>Market Conduct Examination No. 1610-66-TGT</b>
	)	
<b>MIDWESTERN INDEMNITY COMPANY (NAIC #23515)</b>	)	<b>Market Conduct Examination No. 1610-67-TGT</b>
	)	
<b>LIBERTY MUTUAL FIRE INSURANCE COMPANY (NAIC #23035)</b>	)	<b>Market Conduct Examination No. 1610-68-TGT</b>
	)	
<b>EMPLOYERS INSURANCE OF WAUSAU (NAIC #21458)</b>	)	<b>Market Conduct Examination No. 1610-69-TGT</b>
	)	
<b>LIBERTY INSURANCE UNDERWRITERS INC (NAIC #19917)</b>	)	<b>Market Conduct Examination No. 1610-70-TGT</b>

**ORDER OF THE DIRECTOR**

NOW, on this 23<sup>rd</sup> day of October, 2017, 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"), Liberty Insurance Corporation (NAIC #42404), Safeco Insurance Company of Illinois (NAIC #39012), LM General Insurance Company (NAIC #36447), LM Insurance

Corporation (NAIC #33600), First Liberty Insurance Corp (NAIC #33588), Wausau Business Insurance Company (NAIC #26069), Wausau Underwriters Insurance Company (NAIC #26042), Midwestern Indemnity Company (NAIC #23515), Liberty Mutual Fire Insurance Company (NAIC #23035), Employers Insurance of Wausau (NAIC #21458), and Liberty Insurance Underwriters Inc (NAIC #19917) (collectively referred to as “the Liberty Companies”), relating to the market conduct examinations set out in the caption above, does hereby issue the following orders:

This order, issued pursuant to §374.205.2(5) RSMo 2000, §374.280 RSMo (Cum. Supp. 2013) and §374.046.15. RSMo (Cum. Supp. 2013), is in the public interest.

**IT IS THEREFORE ORDERED** that the Liberty Companies 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 the Liberty Companies shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place the Liberty Companies in full compliance with the requirements in the Stipulation, to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

**IT IS FURTHER ORDERED** that the Liberty Companies shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$20,000 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 23<sup>rd</sup> day of OCTOBER, 2017.



*Chlora Lindley-Myers*  
Chlora Lindley-Myers  
Director

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<b>LIBERTY INSURANCE UNDERWRITERS INC (NAIC #19917)</b>	)	<b>Market Conduct Examination No. 1610-70-TGT</b>

**STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter, the "Division"), Liberty Insurance Corporation (NAIC #42404) (hereinafter "Liberty"), Safeco Insurance Company of Illinois (NAIC #39012) (hereinafter "Safeco"), LM

General Insurance Company (NAIC #36447) (hereinafter “LM General”), LM Insurance Corporation (NAIC #33600) (hereinafter “LM Insurance”), First Liberty Insurance Corp (NAIC #33588) (hereinafter “First Liberty”), Wausau Business Insurance Company (NAIC #26069) (hereinafter “Wausau Business”), Wausau Underwriters Insurance Company (NAIC #26042) (hereinafter “Wausau Underwriters”), Midwestern Indemnity Company (NAIC #23515) (hereinafter “Midwestern”), Liberty Mutual Fire Insurance Company (NAIC #23035) (hereinafter “Liberty Mutual”), Employers Insurance of Wausau (NAIC #21458) (hereinafter “Employers”), and Liberty Insurance Underwriters Inc (NAIC #19917) (hereinafter “Liberty Insurance”) (collectively referred to as “the Liberty Companies”), 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**, each of the Liberty Companies have been granted certificates of authority to transact the business of insurance in the State of Missouri; and

**WHEREAS**, the Division called a Market Conduct Examination for each of the Liberty Companies based upon findings contained in a Market Conduct Investigation; and

**WHEREAS**, based on the Market Conduct Investigations the Division alleges that:

1. Liberty failed to include a payment for sales tax in one commercial automobile policy first party total loss settlement even though the company’s policy provided for payment of the sales tax in violation of §§375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

2. Safeco failed to include a payment for sales tax in two private passenger automobile policy first party total loss settlements even though the company’s policies provided

for payment of the sales tax in violation of §§375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

3. LM General failed to include a payment for sales tax in two private passenger automobile policy first party total loss settlements even though the company's policies provided for payment of the sales tax in violation of §§375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

4. LM Insurance failed to include a payment for sales tax in one private passenger automobile policy first party total loss settlement even though the company's policy provided for payment of the sales tax in violation of §§375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

5. First Liberty failed to include a payment for sales tax in two private passenger automobile policy first party total loss settlements even though the company's policies provided for payment of the sales tax in violation of §§375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

6. Wausau Business failed to include a payment for sales tax in one commercial automobile policy first party total loss settlement even though the company's policy provided for payment of the sales tax in violation of §§375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

7. Wausau Underwriters failed to include a payment for sales tax in two commercial automobile policy first party total loss settlements even though the company's policies provided for payment of the sales tax in violation of §§375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

8. Midwestern failed to include a payment for sales tax in two private passenger automobile policy first party total loss settlements even though the company's policies provided

for payment of the sales tax in violation of §§375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

9. Liberty Mutual failed to include a payment for sales tax in two private passenger and in two commercial automobile policy first party total loss settlements even though the company's policies provided for payment of the sales tax in violation of §§375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

10. Employers failed to include a payment for sales tax in one commercial automobile policy first party total loss settlements even though the company's policy provided for payment of the sales tax in violation of §§375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

11. Liberty Insurance failed to include a payment for sales tax in two commercial automobile policy first party total loss settlements even though the company's policies provided for payment of the sales tax in violation of §§375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

**WHEREAS**, the Division and the Liberty Companies have agreed to resolve the allegations raised in the Market Conduct Examinations and 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.** The Liberty Companies agree to take remedial action bringing each 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. The Liberty Companies agree to pay all first party automobile total loss claims, including payment for all sales taxes relating to such claims, according to the terms of their policy provisions and agree to maintain this remedial action at all times.

2. The Liberty Companies agree that they will review all first party automobile total loss claims paid or processed at any time from October 1, 2010 to the date of the entry of the Final Order closing this Market Conduct Examination to determine if claimants added a vehicle to their policy within 180 days of date of total loss payment (“Replacement Vehicle”). For those total loss claimants that did not add a Replacement Vehicle, and where the policy provided for payment of applicable sales tax and the Liberty Companies did not make such payment, the Liberty Companies shall pay restitution to the claimant in the amount of the sales tax payable under its policy on the date of loss, including all state, city, county and other taxes.

For those total loss claimants that did add a Replacement Vehicle, the Liberty Companies will send initial written communications to these claimants to determine if they either a) did not obtain a sales tax credit on the Replacement Vehicle or b) replaced their vehicle with one of lesser value and therefore did not receive the full benefit of the sales tax credit. The initial written communication is subject to the prior approval of the Division. If the total loss claimant a) did not receive the sales tax credit or b) replaced their vehicle with one of lesser value, the Liberty Companies will seek evidence demonstrating that the claimant did not receive a credit from the Department of Revenue on the purchase of the Replacement Vehicle equal to the full amount of the sales tax using the contractual value payable under the terms of the policy at the

time of loss. Satisfactory documentation that may be submitted by a claimant includes, but is not limited to, copies of a purchase agreement for the Replacement Vehicle, and/or a copy of the Replacement Vehicle title, and/or a signed affidavit affirming that they a) did not receive a sales tax credit on the Replacement Vehicle, or b) replaced their vehicle with one of lesser value and therefore did not receive the full value of the sales tax credit (“Satisfactory Documentation”). Upon receipt of Satisfactory Documentation, the Liberty Companies shall pay restitution to the claimant in the amount of the sales tax payable under its policy on the date of loss, including all state, city, county and other taxes. In the event that a claimant received a credit from the Department of Revenue for the Replacement Vehicle that was less than the full amount of the sales tax using the contractual value payable under the terms of the policy at the time of loss, restitution shall include the amount of the difference.

Restitution shall be paid by the Liberty Companies with no reduction in the amount payable to the claimant if the owner of the total loss vehicle retains the vehicle as salvage, unless there is a clear and specific provision in the policy supporting the reduction. For purposes of this Stipulation, providing a claimant with a sales tax affidavit pursuant to the provisions of §144.027 does not constitute payment of all applicable sales taxes to the claimant.

**C. Compliance.** The Liberty Companies agree to file documentation with the Division, in a format acceptable to the Division, within 180 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. Voluntary Forfeiture.** Liberty 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. Safeco agrees, voluntarily and knowingly, to surrender and forfeit the sum of



\$2,000 such sum payable to the Missouri State School Fund, in accordance with §374.280. LM General agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$2,000 such sum payable to the Missouri State School Fund, in accordance with §374.280. LM Insurance 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. First Liberty agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$2,000 such sum payable to the Missouri State School Fund, in accordance with §374.280. Wausau Business 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. Wausau Underwriters agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$2,000 such sum payable to the Missouri State School Fund, in accordance with §374.280. Midwestern agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$2,000 such sum payable to the Missouri State School Fund, in accordance with §374.280. Liberty Mutual agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$4,000 such sum payable to the Missouri State School Fund, in accordance with §374.280. Employers 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. Liberty Insurance agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$2,000 such sum payable to the Missouri State School Fund, in accordance with §374.280.

**E. Other Penalties.** The Division agrees that it will not seek penalties against Liberty, Safeco, LM General, LM Insurance, First Liberty, Wausau Business, Wausau Underwriters, Midwestern, Liberty Mutual, Employers, and Liberty Insurance, other than those agreed to in this Stipulation, in connection with Market Conduct Examinations #1610-60-TGT, #1610-61-TGT, #1610-62-TGT, #1610-63-TGT, #1610-64-TGT, #1610-65-TGT, #1610-66-TGT, #1610-67-TGT, #1610-68-TGT, #1610-69-TGT and #1610-70-TGT.

F. **Examination Fees.** The Liberty Companies agree to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by the Companies pursuant to Paragraph C of this Stipulation.

G. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by the Liberty Companies. This Stipulation is a compromised settlement to resolve disputed factual and legal allegations arising out of the above-referenced Market Conduct Examinations.

H. **Waivers.** Liberty, Safeco, LM General, LM Insurance, First Liberty, Wausau Business, Wausau Underwriters, Midwestern, Liberty Mutual, Employers, and Liberty Insurance, after being advised by legal counsel, do 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 Examinations #1610-60-TGT, #1610-61-TGT, #1610-62-TGT, #1610-63-TGT, #1610-64-TGT, #1610-65-TGT, #1610-66-TGT, #1610-67-TGT, #1610-68-TGT, #1610-69-TGT and #1610-70-TGT.

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

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, Liberty, Safeco, LM General, LM Insurance, First Liberty, Wausau Business, Wausau Underwriters, Midwestern, Liberty Mutual, Employers, and Liberty Insurance 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.

N. **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.

DATED: 10/18/17

  
Angela L. Nelson, Director  
Division of Insurance Market Regulation

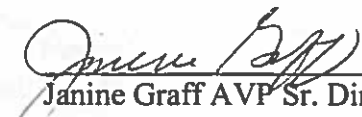
DATED: 10/19/17

  
Stewart Freilich  
Senior Regulatory Affairs Counsel

DATED: 10/1/2017

  
Janine Graff AVP Sr. Director of State Operations  
Liberty Insurance Corporation


DATED: 10/1/2017

  
Janine Graff AVP Sr. Director of State Operations  
Safeco Insurance Company of Illinois

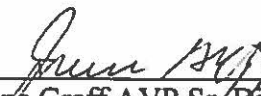
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Janine Graff AVP Sr. Director of State Operations  
LM General Insurance Company

DATED: 10/1/2017

  
Janine Graff AVP Sr. Director of State Operations  
LM Insurance Corporation

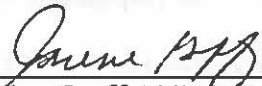
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First Liberty Insurance Corp

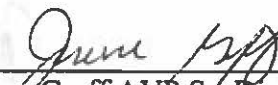
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Wausau Business Insurance Company

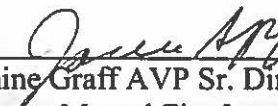
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Wausau Underwriters Insurance Company

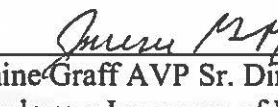
DATED: 10/1/2017

  
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Janine Graff AVP Sr. Director of State Operations  
Midwestern Indemnity Company

DATED: 10/1/2017

  
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Janine Graff AVP Sr. Director of State Operations  
Liberty Mutual Fire Insurance Company

DATED: 10/1/2017

  
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Janine Graff AVP Sr. Director of State Operations  
Employers Insurance of Wausau

DATED: 10/1/2017

  
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Janine Graff AVP Sr. Director of State Operations  
Liberty Insurance Underwriters Inc