

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

In Re:)
)
SENTRY INSURANCE A MUTUAL) **Market Conduct Examination**
COMPANY (NAIC #24988)) **1104-30-TGT**

ORDER OF THE DIRECTOR

NOW, on this 12 day of March, 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 Sentry Insurance a Mutual Company (NAIC #24988) (hereinafter "Siamco"), 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 Siamco and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

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

IT IS FURTHER ORDERED that Siamco 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 12 day of March, 2018.




Chlora Lindley-Myers
Director

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

In Re:)
)
SENTRY INSURANCE A MUTUAL) **Market Conduct Examination**
COMPANY (NAIC #24988)) **1104-30-TGT**

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter, the “Division”), and Sentry Insurance a Mutual Company (NAIC #24988) (hereinafter “Siamco”), 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, Siamco 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 Siamco, examination #1104-30-TGT; and

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

1. In 77 instances, Siamco did not complete and bill the audit within 120 days of policy expiration in violation of §287.955.3¹ and 20 CSR 500-6.500 (2) (A);
2. In 60 instances, Siamco did not apply the Second Injury Fund rate to correct premium

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

in violation of §287.310.9 and §287.715.2;

3. In 52 instances, Siamco did not apply the Administrative Surcharge rate to correct premium in violation of §287.310.9 and 287.716.2;

4. In three instances, Siamco failed to retain auditor log notes in the file in violation of §287.937.2 and 20 CSR 100-8.040(3)(A);

5. In 67 instances, Siamco did not document the basis for the rating of the policy in violation of §287.937.2 and 20 CSR 500-4.100 (7) (D) 1;

6. In six instances, Siamco changed the scheduled modification credit or debit without documenting a change in the risk in violation of §287.937.2 and 20 CSR 500-4.100 (7) (D) 1;

7. In 59 instances, Siamco did not use the filed terrorism rate in violation of §287.947.1 and 20 CSR 500-6.950 (2) (I), (3) (B) 3, (5) (B) and (7);

8. In one instance, Siamco applied an incorrect premium discount rate at final audit in violation of §287.947.1 and 20 CSR 500-6.950 (2) (I), 3 (B) 3 and (7);

9. In 49 instances, Siamco failed to file an individual rating plan for large deductible policies in violation of §287.947.1 and 20 CSR 500-6.950 (2) (I), (3) (B) 3, (5) (B) and (7);

10. Siamco waived audits for 67 policies but not for other similarly situated policies in violation of §287.950.2;

11. In 36 instances, Siamco failed to report deductible reimbursements to the NCCI for experience modification calculation in violation of §287.955.1;

12. In one instance, Siamco used an incorrect class code at final audit in violation of §287.955.1;

13. In two instances Siamco used an incorrect experience modifier at final audit in violation of §287.955.1;

14. In one instance, Siamco applied the experience modifier to incorrect premium in violation of §287.955.1;

15. In one instance, Siamco used a class code with a higher rate at final audit without a corresponding change in the business in violation of §287.955.3;

16. In two instances, Siamco incorrectly applied a deductible credit rate in violation of §287.955.3;

17. In three instances, Siamco failed to apply a short rate to payroll for a policy cancelled by the insured in violation of §287.955.3;

18. In one instance, Siamco failed to apply a scheduled modification credit to correct premium in violation of §287.955.3;

19. In two instances, Siamco did not include the phone number of the insured on the policy in violation of §375.924.1;

20. In 97 instances, Siamco unfairly discriminated between policyholders primarily domiciled in Missouri in the payment of dividends in violation of §287.932;

21. In numerous instances, Siamco utilized a safety group election form that represented the availability of workers' compensation dividend plans that were unavailable to Missouri policyholders in violation of §375.936 (6) (a), §375.942 and §375.144.

WHEREAS, Siamco disagrees with some of the Division's allegations.

WHEREAS, the Division and Siamco 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. Siamco 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. Siamco agrees that audits on workers compensation insurance policies with Missouri premium or exposure shall be completed, billed and premiums returned within 120 days of policy expiration or cancellation unless a) a delay is caused by the policyholder's failure to respond to reasonable audit requests provided that the requests are timely and adequately documented or b) a delay is by mutual agreement of the policyholder and the Company that issued the policy, provided that the agreement is adequately documented.

2. Siamco agrees to document the basis for the rating of each policy.

3. Siamco agrees that it will not change scheduled modification credits or debits without documenting a change in the risk.

4. Siamco agrees that it will make individual risk filings with the Director for all large deductible workers compensation insurance policies with Missouri premium or exposure. Such filings shall be made within 30 days after the effective date of the policy.

5. Siamco agrees that it will file with the Director all rates and rating factors utilized for rating workers' compensation insurance policies.

6. Siamco agrees that it will not waive audits for some policies but not for other similarly situated policies.

7. Siamco agrees that it will report deductible reimbursements to the NCCI for experience modification calculation.

8. Siamco agrees to ensure that its procedures for determining final premium comply with NCCI Rule 02-MO-2013.

9. Siamco agrees that it will use only those forms filed for approval with the Director. If Siamco wishes to utilize safety groups and/or dividend plans, Siamco agrees that it will submit an appropriate filing to the Director for approval.

10. Siamco agrees that it will not unfairly discriminate between policyholders in the payment of dividends relating to workers' compensation insurance policies.

11. Siamco agrees that it will not represent to workers' compensation policyholders the availability of dividend plans unless such dividends plans are actually available to the policyholder.

12. Siamco agrees to provide a payment in the amount of \$804.12 to each policyholder listed on "Dividend Plan Remediation Chart", which is part of the Examination workpapers for Market Conduct Examination Number 1104-30-TGT. A letter shall accompany the payment that includes language indicating that as a result of a Missouri Market Conduct Examination it was determined that an additional payment amount was owed to the policyholder.

C. Compliance. Siamco agrees to file documentation with the Division, in a format acceptable to the Division, within 120 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. Siamco 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. Siamco 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

§374.280, RSMo. Supp. 2013.

F. **Other Penalties.** The Division agrees that it will not seek penalties against Siamco, other than those agreed to in this Stipulation, in connection with Market Conduct Examination #1104-30-TGT.

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

H. **Waivers.** Siamco, 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 #1104-30-TGT.

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

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 Siamco 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: 3-7-2018



Angela L. Nelson, Director
Division of Insurance Market Regulation

DATED: 3/7/2018



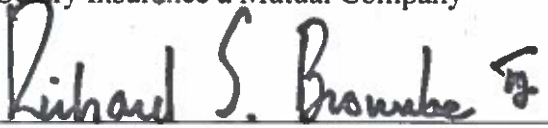
Stewart Freilich
Senior Regulatory Affairs Counsel

DATED: 3-1-18



Kip J. Kobussen, Secretary
Sentry Insurance a Mutual Company

DATED: 3-1-18



Richard S. Brownlee III
Attorney for Sentry Insurance a Mutual Company