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

***In Re*:**	)	
	)	
AIG PROPERTY CASUALTY COMPANY (NAIC # 19402)	)	**Market Conduct Exam No. 1503-100-TGT**
	)	

ORDER OF THE DIRECTOR

NOW, on this 25th day of November, 2015, Director John M. Huff, after consideration and review of the market conduct examination of AIG Property Casualty Company (NAIC #19402) (hereafter referred to as "AIG Property"), examination number 1503-100-TGT, and the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), does hereby issue the following orders:

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

IT IS THEREFORE ORDERED that AIG Property 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 AIG Property shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place AIG Property 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.

IT IS FURTHER ORDERED that AIG Property shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $2,000 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 25th day of November, 2015.

John M. Huff
Director

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

In Re:	)	
	)	
NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, Pa. (NAIC # 19445)	)	**Market Conduct Examination No. 1503-96-TGT**
	)	
THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA (NAIC #19429)	)	**Market Conduct Examination No. 1503-97-TGT**
	)	
COMMERCE AND INDUSTRY INSURANCE COMPANY (NAIC #19410)	)	**Market Conduct Examination No. 1503-98-TGT**
	)	
AIG PROPERTY CASUALTY COMPANY (NAIC #19402)	)	**Market Conduct Examination No. 1503-100-TGT**
	)	

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter, the "Division"), National Union Fire Insurance Company of Pittsburgh, Pa. (NAIC #19445) (hereinafter, "NUFIC"), The Insurance Company of the State of Pennsylvania (NAIC #19429) (hereinafter, "Insurance Company PA"), Commerce and Industry Insurance Company (NAIC #19410) (hereinafter "Commerce and Industry") and AIG Property Casualty Company (NAIC #19402) (hereinafter "AIG Property") 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, NUFIC, Insurance Company PA, Commerce and Industry and AIG Property have been granted certificates of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Division called Market Conduct Examinations of NUFIC, Insurance

Company PA, Commerce and Industry and AIG Property based upon findings contained in Market Conduct Investigations; and

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

1. NUFIC failed to include a payment for sales tax in one commercial automobile policy first party total loss settlement even though NUFIC's policy provided for payment of the sales tax in violation of §§ 375.445,[1] 375.936(13), 375.1007(1), and 375.1007(4) and 20 CSR 100-1.020(1)(A);

2. Insurance Company PA failed to include a payment for sales tax in two commercial automobile policy first party total loss settlements even though Insurance Company PA's policy provided for payment of the sales tax in violation of §§ 375.445, 375.936(13), 375.1007(1), and 375.1007(4) and 20 CSR 100-1.020(1)(A);

3. Commerce and Industry failed to include a payment for sales tax in one private passenger automobile policy first party total loss settlement even though Commerce and Industry's policy provided for payment of the sales tax in violation of §§ 375.445, 375.936(13), 375.1007(1), and 375.1007(4) and 20 CSR 100-1.020(1)(A); and

4. AIG Property failed to include a payment for sales tax in two private passenger automobile policy first party total loss settlement even though AIG Property's policy provided for payment of the sales tax in violation of §§ 375.445, 375.936(13), 375.1007(1), and 375.1007(4) and 20 CSR 100-1.020(1)(A);

WHEREAS, the Division, NUFIC, Insurance Company PA, Commerce and Industry and AIG Property have agreed to resolve the issues raised in the Market Conduct Examination and 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.** NUFIC, Insurance Company PA, Commerce and Industry and

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

AIG Property agree to take remedial action bringing each into compliance with the statutes and regulations of Missouri set forth above, and agree to maintain those remedial actions at all times. Such remedial actions shall include:

1. Effective the date of the Final Order closing this Market Conduct Examination, NUFIC, Insurance Company PA, Commerce and Industry and AIG Property agree that they will pay all automobile total loss claims, including payment for all sales taxes relating to such claims, according to the terms of their policy provisions;

2. NUFIC agrees that it will review all first party automobile total loss claims paid or processed at any time from October 1, 2010 to the date of the Final Order closing this Market Conduct Examination to determine if NUFIC paid all applicable sales tax to the claimant for the damaged vehicle using the contractual value payable under the terms of the policy at the time of loss.[2] If all applicable sales tax was not paid by NUFIC to the claimant, NUFIC 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. Such restitution shall be paid 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.

3. Insurance Company PA agrees that it will review all first party automobile total loss claims paid or processed at any time from October 1, 2010 to the date of the Final Order closing this Market Conduct Examination to determine if Insurance Company PA paid all applicable sales tax to the claimant for the damaged vehicle using the contractual value payable under the terms of the policy at the time of loss.[3] If all applicable sales tax was not paid by Insurance Company PA to the claimant, Insurance Company PA 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. Such restitution shall be paid 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.

4. Commerce and Industry agrees that it will review all first party automobile total loss claims paid or processed at any time from October 1, 2010 to the date of the Final Order

2 This could be Actual Cash Value, Stated Value or some other valuation method listed in the policy.
3 This could be Actual Cash Value, Stated Value or some other valuation method listed in the policy.

closing this Market Conduct Examination to determine if Commerce and Industry paid all applicable sales tax to the claimant for the damaged vehicle using the contractual value payable under the terms of the policy at the time of loss.[4] If all applicable sales tax was not paid by Commerce and Industry to the claimant, Commerce and Industry 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. Such restitution shall be paid 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..

5. AIG Property agrees that it will review all first party automobile total loss claims paid or processed at any time from October 1, 2010 to the date of the Final Order closing this Market Conduct Examination to determine if AIG Property paid all applicable sales tax to the claimant for the damaged vehicle using the contractual value payable under the terms of the policy at the time of loss.[5] If all applicable sales tax was not paid by AIG Property to the claimant, AIG Property 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. Such restitution shall be paid 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.

C. **Compliance.** NUFIC, Insurance Company PA, Commerce and Industry and AIG Property agree 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. NUFIC, Insurance Company PA, Commerce and Industry, and AIG Property may request an extension from the Division, which shall be granted by the Division for good cause shown.

D. **Examination Fees.** NUFIC, Insurance Company PA, Commerce and Industry and AIG Property agree to pay any reasonable examination fees relating to the review of documentation provided by each company pursuant to Paragraph C of this Stipulation, in conformity with the examination warrant's authorization to review information necessary to

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4 This could be Actual Cash Value, Stated Value or some other valuation method listed in the policy.
5 This could be Actual Cash Value, Stated Value or some other valuation method listed in the policy.

determine each company's conduct during the closing of the examination.

E. **Voluntary Forfeiture.** NUFIC 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. Insurance Company PA 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. Commerce and Industry 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. AIG Property 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.

F. **Other Penalties.** The Division agrees that it will not seek penalties against NUFIC, Insurance Company PA, Commerce and Industry and AIG Property, other than those agreed to in this Stipulation, in connection with Market Conduct Examinations #1503-96-TGT, 1503-97-TGT, 1502-98-TGT and 1503-100-TGT.

G. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by NUFIC, Insurance Company PA, Commerce and Industry, and AIG Property, 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.** NUFIC, Insurance Company PA, Commerce and Industry and AIG Property, 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 Market Conduct Examinations #1503-96-TGT, 1503-97-TGT, 1503-98-TGT and 1503-100-TGT.

I. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by all signatories to the Stipulation.

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.

L. **Effect of Stipulation.** This Stipulation shall not become effective until entry of a

Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration (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: 11/23/2015

Angela L. Nelson
Director
Division of Insurance Market Regulation

DATED: 11/18/2015

Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: November 12, 2015

Robert S. Schimek
President
National Union Fire Insurance Company
of Pittsburgh, Pa.

DATED: November 12, 2015

Robert S. Schimek
President
The Insurance Company of the State
of Pennsylvania

DATED: November 12, 2015

Robert S. Schimek
President
Commerce and Industry Insurance Company

DATED: November 12, 2015

Robert S. Schimek
President
AIG Property Casualty Company