

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

In Re:)
)
 AMERICAN FAMILY MUTUAL) **Market Conduct Exam No. 0812-25-TGT**
 INSURANCE COMPANY)
 (NAIC # 19275))
)
 AMERICAN STANDARD INSURANCE)
 COMPANY OF WISCONSIN)
 (NAIC #19283))

ORDER OF THE DIRECTOR

NOW, on this 2nd day of JUNE, 2015, Director John M. Huff, after consideration and review of the market conduct examination of American Family Mutual Insurance Company (NAIC #19275) (hereinafter “American Family”) and American Standard Insurance Company of Wisconsin (NAIC #19283) (hereinafter “American Standard”) conducted by the Division of Insurance Market Regulation (hereinafter the “Division”) pursuant to §374.205 RSMo 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, and §§374.280 and §374.046.15. RSMo (Cum. Supp. 2013), is in the public interest.

IT IS THEREFORE ORDERED that American Family, American Standard and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that American Family and American Standard shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place American Family and American Standard in full compliance with the requirements of 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 American Family and American Standard shall pay, and

the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$472,089.84 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 2nd day of MAY, 2015.


John M. Huff
Director



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

In Re:)
)
American Family Mutual Insurance)
Company (NAIC # 19275)) **Market Conduct Exam No. 0812-25-TGT**
)
American Standard Insurance Company)
Of Wisconsin (NAIC #19283))
)

**STIPULATION OF SETTLEMENT
AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and American Family Mutual Insurance Company (NAIC #19275) (hereinafter “American Family”) and American Standard Insurance Company of Wisconsin (NAIC #19283) (hereinafter “American Standard”), 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, American Family and American Standard have been granted certificates of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Division conducted a Market Conduct Examination of American Family and American Standard covering the period January 1, 2005 to December 20, 2008; and

WHEREAS, the Market Conduct Examination revealed that:

1. In numerous instances, American Family and American Standard failed to send 45 days letters to claimants in violation of §375.1007 (4)1 and 20 CSR 100-1.050 (1) (C);
2. In several instances, American Family and American Standard failed to include copies of total loss sales tax affidavits in their claim files in violation of §374.205.2 (2) and 20 CSR 300-

2.200 (3) (B) 3 (as replaced by 20 CSR 100-8.040 (3) (B) 3);

3. In numerous instances, American Family and American Standard failed to attempt in good faith to effectuate settlement of auto total loss claims by reducing the value of cash settlements without adequate documentation to support the reductions in violation of §375.1007 (4) and 20 CSR 100-1.050 (2) (E);

4. In numerous instances, American Family and American Standard failed to carry out their contracts in good faith by failing to follow their own policies and procedures relating to the valuation of auto total loss claims in violation of §375.445.1(2);

5. In numerous instances, American Family and American Standard failed to adequately document reductions in the value of auto total loss settlements in violation of §374.205.2 (2) and 20 CSR 300-2.200 (3) (B);

6. In numerous instances, American Family and American Standard failed to adequately document claim files in violation of §375.205.2 (2) and 20 CSR 300-2.200 (3) (B);

7. In 4 instances, American Standard failed to fully disclose Medical Payments coverage in violation of §§375.1007 (1) (4) (8), 20 CSR 100-1.020 (1) (A) and (B), and 20 CSR 100-1.050 (2) (E);

8. In some instances, American Standard failed to pay for covered funeral expenses in violation of §375.1007 (4);

9. In several instances, American Family failed to document claim files with a copy of a written denial letter specifically referencing policy provisions, conditions or exclusions in violation of §375.1007 (12) & (4) and 20 CSR 100-1.050 (1) (A);

10. In several instances, American Family misrepresented relevant facts or policy provisions in violation of 20 CSR 100-1.020 (1) (A);

WHEREAS, pursuant to §374.205.2 (5), the market conduct examination was terminated;

WHEREAS, the Division, American Family and American Standard have agreed to resolve the issues raised in the Market Conduct Examination through a voluntary settlement as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture embodies the entire agreement and understanding of the signatories with respect to the subject matter

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

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. Admissions. American Family and American Standard admit and acknowledge the following:

1. That in numerous instances, American Family and American Standard failed to adequately document reductions in the value of auto total loss settlements in violation of §374.205.2 (2) and 20 CSR 300-2.200 (3) (B);

2. That in numerous instances, American Family and American Standard failed to carry out their contracts by failing to follow their own policies and procedures relating to the valuation of auto total loss claims in violation of §375.445.1(2);

C. Denials. American Family and American Standard state that any failure to document reductions or follow specific policies or procedures in valuing auto total loss claims was not in bad faith and did not result in an overall reduction in average actual cash value payments to policyholders.

D. Remedial Action. American Family and American Standard 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 not be limited to, the following:

1. American Family and American Standard agree to send claimants a letter if an active investigation remains incomplete, setting forth the reasons additional time is needed to complete such investigation. Such letters shall be sent to the claimant 45 days from the date of initial notification of the claim and every 45 days thereafter until the investigated is completed. American Family and American Standard agree that an investigation is not deemed complete until a determination of liability and a determination of the actual or potential amount of liability under coverages afforded by the policy is made by the Companies.

2. American Family and American Standard agree to provide to each total loss claimant, in cases of a total loss on property for a motor vehicle, trailer, boat or outboard motor, a certification described in §144.027, RSMo attesting to the amount of the insurance proceeds and any deductible

obligation paid by the claimant regarding the loss. The certification shall also contain a statement informing the claimant that the sales tax credit is valid for only 180 days. A copy of such certification shall be maintained in the claim files of each Company.

3. American Family and American Standard agree to review all American Family and American Standard Private Passenger Automobile claims from January 1, 2012 to December 31, 2014 to ensure that medical payments were not denied or went unpaid because the Companies failed to conduct a reasonable investigation of the claim, and to ensure that the availability of Medical Payments coverage was disclosed to the policyholder. If any claims were improperly denied or went unpaid because the Companies failed to disclose Medical Payments coverage or because the Companies failed to investigate the extent of injury suffered by a claimant and/or the extent of medical bills incurred by a claimant, the Companies must issue any payments that are due to the claimants, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required on all claims submitted, pursuant to §408.020. A letter must be included with the payment, indicating that “as a result of a Missouri Market Conduct examination,” it was found that additional payment was owed on the claim.

4. American Family and American Standard agree to review all American Family and American Standard Private Passenger Automobile claims involving a death from January 1, 2012 to December 31, 2014 to determine if the claimant had funeral expense coverage, and if covered funeral expenses were paid. If covered funeral expenses were not paid, the Companies must issue any payments that are due to the claimants, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required on all claims submitted, pursuant to §408.020. A letter must be included with the payment, indicating that “as a result of a Missouri Market Conduct examination,” it was found that additional payment was owed on the claim.

5. American Family and American Standard agree to reopen and readjudicate the following claims and provide restitution to the claimants, if the claimants sustained covered losses that were not included in the original settlements, including payment of 9% interest per annum as required by §408.020. A letter must be included with the payment, indicating that “as a result of a Missouri Market Conduct examination, it was found that additional payment was owed on the claim.”

- a. Claim 00311250294
- b. Claim 00311031777
- c. Claim 00311142397
- d. Claim 00301127949
- e. Claim 00301080706
- f. Claim 00301136397
- g. Claim 00101298819
- h. Claim 00121293894
- i. Claim 00311194080
- j. Claim 00111369807
- k. Claim 00301041078
- l. Claim 00301068293
- m. Claim 00301152599
- n. Claim 00311203166
- o. Claim 00311149761
- p. Claim 00791030696
- q. Claim 00221042890
- r. Claim 00311249436
- s. Claim 00221072186
- t. Claim 00791012197
- u. Claim 00791017307
- v. Claim 00221051200
- w. Claim 00791044961

6. American Family and American Standard agree to maintain their claim files so as to show the inception, handling and disposition of each claim.

E. **Compliance.** American Family and American Standard agree to file documentation with the Division within 120 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 the payment of restitution required by this Stipulation.

F. **Voluntary Forfeiture.** American Family and American Standard agree, voluntarily and knowingly, to surrender and forfeit the sum of \$472,089.84, such sum payable to the Missouri State School Fund, in accordance with §374.280.

G. **Costs of Examination.** American Family and American Standard state that they have not sought a credit on their premium taxes for any examination expenses or fees paid in connection with Market Conduct Examination 0812-25-TGT and agree they will not seek a credit on their premium taxes for such expenses or fees.

H. **Other Penalties.** The Division agrees that it will not seek penalties against American Family or American Standard, other than those agreed to in this Stipulation, for conduct reviewed by the Division in connection with Market Conduct Examination 0812-25-TGT.

I. **Waivers.** American Family and American Standard, 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 above referenced Market Conduct Examination.

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

K. **Governing Law.** This Stipulation of Settlement and Voluntary Forfeiture shall be governed and construed in accordance with the laws of the State of Missouri.

L. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation of Settlement and Voluntary Forfeiture.

M. **Effect of Stipulation.** This Stipulation of Settlement and Voluntary Forfeiture 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.

N. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation of Settlement and Voluntary Forfeiture and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 5/28/2015

Angela L. Nelson
Angela L. Nelson
Director, Division of Insurance
Market Regulation

DATED: 5/28/2015

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

DATED: 5/19/2015

William B. Westrate
William B. Westrate, Chief Operating Officer
American Family Mutual Insurance Company

DATED: 5/19/2015

William B. Westrate
William B. Westrate, President
American Standard Insurance Company
of Wisconsin