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

In Re:	)
	) **Market Conduct Investigation**
ARGONAUT MIDWEST INSURANCE COMPANY	) **Number 10086-19828-PC**
(NAIC #0457-19828)	)

ORDER OF THE DIRECTOR

NOW, on this 24th day of July, 2014, Director John M. Huff, after consideration and review of the market conduct investigation of Argonaut Midwest Insurance Company (NAIC #0457-19828) (hereafter referred to as "the Company") investigation number 10086-19828-PC, conducted by the Division of Insurance Market Regulation pursuant to §374.190[1] and the Stipulation of Settlement ("Stipulation"), does hereby issue the following orders:

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

IT IS THEREFORE ORDERED that the Company 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 Company shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place the Company 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 the Company shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept,

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

the Voluntary Forfeiture of $24,000, 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 24th day of July, 2014.

John M. Huff
Director

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

TO: Argonaut Midwest Insurance Company
175 E. Houston St., 13th Floor
San Antonio, TX 78205

RE: Argonaut Midwest Insurance Company (NAIC #0457-19828)
Missouri Market Conduct Investigation # 10086-19828-PC

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by John M. Huff, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, hereinafter referred to as "Director," and Argonaut Midwest Insurance Company (NAIC # 0457-19828), (hereafter referred to as "Argonaut") as follows:

WHEREAS, John M. Huff is the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereafter referred to as "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, Argonaut has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Department conducted a Market Conduct Investigation of Argonaut and prepared report number 10086-19828-PC; and

WHEREAS, the report of the Market Conduct Investigation revealed that:

1. In twenty seven (27) instances, the Department alleges Argonaut failed to submit filings for individually rated large deductible workers compensation insurance policies which the Department alleges violates §287.310[1], §287.947, and 20 CSR 500-6.950;

2. The Department alleges the Company incorrectly calculated the Second Injury Fund Surcharge on four (4) policies and used an incorrect Administrative Surcharge factor on four (4) policies, which the Department alleges violates §287.310.9.

WHEREAS, Argonaut hereby agrees to take remedial action bringing the Company into compliance with the statutes and regulations of Missouri and agrees to maintain those corrective actions at all times, to reasonably assure that the errors noted in the above-referenced market conduct investigation report do not recur. The remedial actions shall include, but are not limited to, the following:

1. Argonaut agrees to file individual rating plans for all large deductible workers compensation policies within 30 days of the effective date of each policy;

2. Argonaut agrees to review all individually rated large deductible workers compensation insurance policies issued from January 1, 2006 to the date of the Order closing this investigation to determine if the insured is entitled to any refund of premium or if the Second Injury Fund or Administrative Surcharge was incorrectly paid. If the policyholder is entitled to a refund of premium, the Company must issue any refund due to the insured, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required, pursuant to §408.020. A letter must be included with the payment, indicating that "as a result of a Missouri Market Conduct Investigation," it was found that a refund was due to the insured. If the Second Injury Fund is owed additional payments, such payments shall be made to the fund with any applicable interest and penalties. Additionally, evidence must be provided to the Department that such refunds to the insured and payments to the Second Injury Fund have been made within 90 days after the date of the Order finalizing this investigation. If the Administrative surcharge was underpaid, such payments that are owed, with any applicable interest and penalties, shall be paid to the Department of Revenue within 90 days of the date of the Order finalizing this investigation. In addition, if underpayments are discovered, the Company must file an amended return on its Administrative Surcharge calculation to the Premium Tax Section of the Department within 90 days of the date of the Order finalizing this investigation.

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

WHEREAS, the parties hereto agree that neither this instrument nor the agreements, settlement and compromise contemplated herein are to be deemed as an admission of any violation, fault, improper conduct or negligence on the part of Argonaut, and further, the Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed factual and legal allegations, and that payment of the forfeiture is merely to resolve disputes and avoid litigation without conceding that the agreements, settlements, and compromise contemplated herein settle any question of law by either party.

WHEREAS, Argonaut, 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, which may have otherwise applied to the above referenced Market Conduct Investigation; and

WHEREAS, Argonaut hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Investigation #10086-19828-PC further agrees, voluntarily and knowingly, to surrender and forfeit the sum of $24,000.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of Argonaut to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Argonaut does hereby voluntarily and knowingly waive all rights to any hearing, consents to the ORDER of the Director, consents to take the remedial actions required by this stipulation, and consents to surrender and forfeit the sum of $24,000, such sum payable to the Missouri State School Fund, in accordance with §374.280.

DATED: July 10, 2014

President
Argonaut Midwest Insurance Company