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

In Re:	)
	)
FEDERATED MUTUAL INSURANCE COMPANY (NAIC # 13935)	) **Market Conduct Examination #1503-33-TGT**)
	)
FEDERATED SERVICE INSURANCE COMPANY (NAIC #28304)	) **Market Conduct Examination #1503-34-TGT**)
	)

ORDER OF THE DIRECTOR

NOW, on this 23RD day of JULY, 2015, Director John M. Huff, after consideration and review of the market conduct examination of Federated Mutual Insurance Company (NAIC #13935) (hereafter referred to as "Federated Mutual"), examination number 1503-33-TGT, and Federated Service Insurance Company (NAIC #28304) (hereafter referred to as "Federated Service"), 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 Federated Mutual, Federated Service 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 Federated Mutual and Federated Service shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place Federated Mutual and Federated Service 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 Federated Mutual 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 FURTHER ORDERED that Federated Service 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 23RD day of JULY, 2015.

John M. Huff
Director

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

In Re:	)	
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FEDERATED MUTUAL INSURANCE COMPANY (NAIC # 13935)	)	**Market Conduct Examination #1503-33-TGT**
	)	
	)	
FEDERATED SERVICE INSURANCE COMPANY (NAIC #28304)	)	**Market Conduct Examination #1503-34-TGT**
	)	
	)	

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division"), Federated Mutual Insurance Company (NAIC #13935) (hereinafter "Federated Mutual"), and Federated Service Insurance Company (NAIC #28304) (hereinafter "Federated Service"), 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, Federated Mutual and Federated Service 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 Examinations of Federated Mutual and Federated Service based upon findings contained in Market Conduct Investigations and

WHEREAS, the Investigations revealed that:

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

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

WHEREAS, the Division, Federated Mutual and Federated Service have agreed to resolve the issues raised in the Market Conduct Examination and Investigation 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 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.** Federated Mutual and Federated Service 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 the following:

1. Federated Mutual and Federated Service 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. Federated Mutual agrees that it will review all first party automobile total loss claims paid or processed at any time from May 1, 2010 to the date of the order closing this examination to determine if Federated Mutual 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 Federated Mutual to the claimant, Federated Mutual 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.

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

3. Federated Service agrees that it will review all first party automobile total loss claims paid or processed at any time from May 1, 2010 to the date of the order closing this examination to determine if Federated Service 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 Federated Service to the claimant, Federated Service 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.** Federated Mutual and Federated Service agree to file documentation with the Division, in a format acceptable to the Division, as set forth in Exhibit A, within 90 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.

D. **Voluntary Forfeiture.** Federated Mutual 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. Federated Service 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 Federated Mutual or Federated Service, other than those agreed to in this Stipulation, in connection with Market Conduct Examinations #1503-33-TGT and 1503-34-TGT.

F. **Waivers.** Federated Mutual and Federated Service, 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 #1503-33-TGT and 1503-34-TGT.

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

G. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by Federated Mutual or Federated Service, 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. **Changes.** No changes to this stipulation shall be effective unless made in writing and agreed to by all signatories to the stipulation.

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

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

K. **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.

L. **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: 7-16-2015

Angela L. Nelson
Director, Division of Insurance
Market Regulation

DATED: 7/16/2015

Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

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

DATED: 7/2/15

James A. Thon
Executive Vice President –
Director of Insurance Operations
Federated Mutual Insurance Company

DATED: 7/2/15

James A. Thon
Executive Vice President –
Director of Insurance Operations
Federated Service Insurance Company