

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

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| <i>In Re:</i> |) | |
| |) | |
| SELECTIVE INSURANCE COMPANY OF AMERICA (NAIC #12572) |) | Market Conduct Exam No. 1603-11-TGT |
| |) | |
| SELECTIVE INSURANCE COMPANY OF SOUTH CAROLINA (NAIC #19259) |) | Market Conduct Exam No. 1603-12-TGT |
| |) | |
| SELECTIVE INSURANCE COMPANY OF THE SOUTHEAST (NAIC #39926) |) | Market Conduct Exam No. 1603-13-TGT |

ORDER OF THE DIRECTOR

NOW, on this 23rd day of June, 2016, Director John M. Huff, 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 Selective Insurance Company of America (NAIC #12572) (hereinafter "Selective America), Selective Insurance Company of South Carolina (NAIC #19259) (hereinafter "Selective South Carolina), and Selective Insurance Company of the Southeast (NAIC #39926) (hereinafter "Selective Southeast") (hereinafter collectively "Selective Companies"), relating to the market conduct examinations set out in the caption above, does hereby issue the following orders:

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

IT IS THEREFORE ORDERED that the Selective Companies 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 Selective Companies shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to

place each 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 Selective America 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 Selective South Carolina 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 Selective Southeast 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 June, 2016.





John M. Huff
Director

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

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| In Re: |) | |
| |) | |
| SELECTIVE INSURANCE COMPANY OF AMERICA (NAIC # 12572) |) | Market Conduct Examination No. 1603-11-TGT |
| |) | |
| SELECTIVE INSURANCE COMPANY OF SOUTH CAROLINA (NAIC #19259) |) | Market Conduct Examination No. 1603-12-TGT |
| |) | |
| SELECTIVE INSURANCE COMPANY OF THE SOUTHEAST (NAIC #39926) |) | Market Conduct Examination No. 1603-13-TGT |

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter, the “Division”), Selective Insurance Company of America (NAIC #12572) (hereinafter “Selective America”), Selective Insurance Company of South Carolina (NAIC #19259) (hereinafter “Selective South Carolina”) and Selective Insurance Company of the Southeast (NAIC #39926) (hereinafter “Selective Southeast”) (hereinafter collectively “Selective Companies”), 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, the Selective Companies 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 the Selective Companies based upon findings contained in Market Conduct Investigations; and

WHEREAS, the Market Conduct Investigations revealed that:

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

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

3. The Selective Southeast failed to include a payment for sales tax in two commercial automobile policy first party total loss settlement even though the company's policies provided for payment of the sales tax in violation of §§ 375.445, 375.936(13), 375.1007(1), and 375.1007(4), RSMo, and 20 CSR 100-1.020(1)(A).

WHEREAS, the Division and the Selective Companies 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.** The Selective Companies 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 are not limited to, the following:

1. The Selective Companies 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. Selective America agrees that it will review all first party automobile total loss claims paid or processed at any time from June 1, 2011 to the date of the Final Order closing these Market Conduct Examinations to determine if Selective America paid all applicable sales taxes to total loss claimants for their damaged vehicles using the contractual value payable under the terms of each policy at the time of loss.² If all applicable sales tax was not paid by Selective America to a claimant, Selective America 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

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

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. For purposes of this Stipulation, providing a claimant with a sales tax affidavit pursuant to the provisions of §144.027 does not constitute payment of all applicable sales taxes to the claimant.

3. Selective South Carolina agrees that it will review all first party automobile total loss claims paid or processed at any time from June 1, 2011 to the date of the Final Order closing these Market Conduct Examinations to determine if Selective South Carolina paid all applicable sales taxes to total loss claimants for their damaged vehicles using the contractual value payable under the terms of each policy at the time of loss.³ If all applicable sales tax was not paid by Selective South Carolina to a claimant, Selective South Carolina 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. For purposes of this Stipulation, providing a claimant with a sales tax affidavit pursuant to the provisions of §144.027 does not constitute payment of all applicable sales taxes to the claimant.

4. Selective Southeast agrees that it will review all first party automobile total loss claims paid or processed at any time from June 1, 2011 to the date of the Final Order closing these Market Conduct Examinations to determine if Selective Southeast paid all applicable sales taxes to total loss claimants for their damaged vehicles using the contractual value payable under the terms of each policy at the time of loss.⁴ If all applicable sales tax was not paid by Selective Southeast to a claimant, Selective Southeast 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. For purposes of this Stipulation, providing a claimant with a sales tax affidavit pursuant to the provisions of §144.027 does not constitute payment of all applicable

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.

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

sales taxes to the claimant.

C. **Compliance.** The Selective Companies agree to file documentation with the Division, in a format acceptable to the Division, 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.** Selective America 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. Selective South Carolina 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. Selective Southeast 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 the Selective Companies, other than those agreed to in this Stipulation, in connection with Market Conduct Examinations #1603-11-TGT, 1603-12-TGT and 1603-13-TGT.

F. **Waivers.** The Selective Companies, 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 #1603-11-TGT, 1603-12-TGT and 1603-13-TGT.

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

H. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

I. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation.

J. **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.

K. **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: 6/20/2016



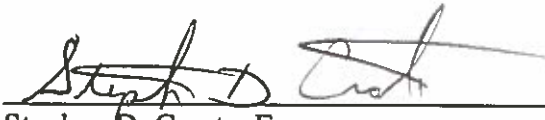
Angela L. Nelson, Director
Division of Insurance Market Regulation

DATED: 6/22/2016



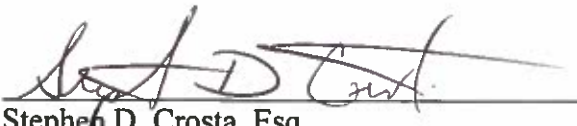
Stewart Freilich
Senior Regulatory Affairs Counsel

DATED: 6/8/16




Stephen D. Crosta, Esq.
Vice President & Assistant General Counsel
Selective Insurance Company of America

DATED: 6/8/16



Stephen D. Crosta, Esq.
Vice President & Assistant General Counsel
Selective Insurance Company of South Carolina

DATED: 6/8/16



Stephen D. Crosta, Esq.
Vice President & Assistant General Counsel
Selective Insurance Company of the Southeast