

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

TO: State Auto Insurance Companies
518 East Broad St.
Columbus, OH 43215

RE: State Auto Insurance Group (NAIC Group #0175)
Missouri Market Conduct Examination #0811-20-TGT

RECEIVED
APR 07 2010
DEPT. OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

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 State Auto Insurance Group, (hereafter referred to as "State Auto"), 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, State Auto 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 Examination of State Auto and prepared report number 0811-20-TGT; and

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

1. In some instances, State Auto failed to file certain policy forms with the Department, as required by §379.321.1, RSMo. The Company has since filed the forms as required.

2. In some instances, State Auto failed to charge the insureds the correct policy premium, in that it used rates that were different than those on file with the DIFP and either failed to apply the correct discounts or applied a discount that did not apply or based the premium on incorrect rating territories, in violation of §379.321.1, RSMo, and the Company's Policy Provisions.

3. In some instances, State Auto failed to maintain its books, records, documents, and other business records and to provide relevant materials, files, and documentation in such a way to allow the examiners to sufficiently ascertain the rating and claims settlement practices of the Company, thereby violating 20 CSR 300-2.200 (as amended 20 CSR 100-8.040, eff. 7/30/08).

4. In some instances, State Auto failed to provide or send a cancellation or non-renewal notice stating the actual reasons for the cancellations or non-renewals, as required by §379.120, RSMo.

5. In some instances, State Auto failed to promptly investigate and settle a claim once liability had become clear, thereby violating §375.1007(3) and (4), RSMo.

6. State Auto failed to document a file with a copy of a Missouri sales tax affidavit concerning a total loss claim, in violation of §144.027, RSMo, and 20 CSR 300-2.200 (as amended 20 CSR 100-8.040(3)(B)3, eff. 7/30/08).

7. In some instances, State Auto failed to accurately reimburse the insured the total amount of his deductible after recovering a percentage from the adverse carrier, thereby violating §375.1007(4), RSMo, and the Company's policy provisions.

8. State Auto failed to disclose all pertinent benefits and coverage to the first party claimant, failed to provide all claim forms, instructions and reasonable assistance to the first party claimant within 10 working days of the claim, offset the Med Pay coverage by paying the injured passenger's Bodily Injury claim, failed to adopt and implement reasonable standards for the prompt investigation and settlement of the claim, and failed to effectuate a prompt, fair and equitable settlement of the claim once liability became reasonably clear. These actions violated §§375.1007(1), (3), (4), and (15), 379.110(3), and 408.020, RSMo, and 20 CSR 100-1.020, 20 CSR 100-1.030(3), and 20 CSR 500-2.100.

WHEREAS, State Auto hereby agrees to take remedial action bringing it 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 examination reports do not recur including, but not limited to, taking the following actions:

1. State Auto agrees to take corrective action to assure that the errors noted in the above-referenced market conduct examination reports do not recur;

2. State Auto agrees to review all of the policies listed on page 20 of the Final Market Conduct Examination Report and issue refunds of all overpayments within 60 days of the date a final Order is entered closing this examination. These refunds must include an additional payment of nine percent (9%) interest, pursuant to §408.020, RSMo. A letter must be included with the refund payments, indicating that "as a result of a Missouri Market Conduct examination," the Company owes a rate adjustment refund on the policy. Evidence must be provided to the Department that such payments have been made within 90 days after the date a final Order is entered closing this examination; and

3. State Auto agrees to file documentation of all remedial actions taken by it to implement compliance with the terms of this Stipulation of Settlement and Voluntary Forfeiture and to assure that the errors noted in the examination report do not recur, including explaining the steps taken and the results of such actions, with the Director within 90 days of the entry of a final Order closing this examination

WHEREAS, State Auto is of the position that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed factual and legal allegations, and that payment of a forfeiture is merely to resolve the disputes and avoid litigation; and

WHEREAS, State Auto, 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 Examination; and

WHEREAS, State Auto hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0811-20-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$88,768.

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 State Auto to transact the business of insurance in the State of Missouri or the imposition of other sanctions, State Auto does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director and does surrender and forfeit the sum of \$88,768, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 4/5/2010



President
State Auto Insurance Companies