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

In Re:	)
	)
UNITRIN DIRECT PROPERTY & CASUALTY COMPANY (NAIC # 10915)	) **Market Conduct Examination #1503-51-TGT**
	)
WARNER INSURANCE COMPANY (NAIC #26085)	) **Market Conduct Examination #1503-53-TGT**
	)
MERASTAR INSURANCE COMPANY (NAIC # 31968)	) **Market Conduct Examination #1503-41-TGT**
	)
ALPHA PROPERTY & CASUALTY INSURANCE COMPANY (NAIC #38156)	) **Market Conduct Examination #1503-21-TGT**
	)
CHARTER INDEMNITY COMPANY (NAIC #37524)	) **Market Conduct Examination #1503-28-TGT**
	)
FINANCIAL INDEMNITY COMPANY (NAIC #19852)	) **Market Conduct Examination #1503-35-TGT**
	)

ORDER OF THE DIRECTOR

NOW, on this 9th day of June, 2015, Director John M. Huff, after consideration and review of the market conduct examination of Unitrin Direct Property & Casualty Company (NAIC #10915) (hereafter "Unitrin"), examination number 1503-51-TGT, Warner Insurance Company (NAIC #26085) (hereafter "Warner"), examination number 1503-53-TGT, Merastar Insurance Company (NAIC #31968) (hereafter "Merastar), examination number 1503-41-TGT, Alpha Property & Casualty Insurance Company (NAIC #38156) (hereafter "Alpha"), examination number 1503-21-TGT, Charter Indemnity Company (NAIC #37524) (hereafter "Charter") examination #1503-28-TGT, and Financial Indemnity Company (NAIC #19852)

(hereafter "Financial"), examination #1503-35-TGT, 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 Unitrin, Warner, Merastar, Alpha, Charter, Financial 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 Unitrin, Warner, Merastar, Alpha, Charter and Financial 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 Unitrin shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $1,000 payable to the Missouri State School Fund.

IT IS FURTHER ORDERED that Warner shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $1,000 payable to the Missouri State School Fund.

IT IS FURTHER ORDERED that Merastar shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $1,000 payable to the Missouri State School Fund.

IT IS FURTHER ORDERED that Alpha 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 Charter 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 Financial 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 9TH day of JUNE, 2015.

John M. Huff
Director

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

In Re:	)
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UNITRIN DIRECT PROPERTY & CASUALTY COMPANY (NAIC # 10915)	) **Market Conduct Examination #1503-51-TGT**
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CHARTER INDEMNITY COMPANY (NAIC #37524)	) **Market Conduct Examination #1503-28-TGT**
	)
FINANCIAL INDEMNITY COMPANY (NAIC #19852)	) **Market Conduct Examination #1503-35-TGT**
	)

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division"), Unitrin Direct Property & Casualty Company (NAIC #10915) (hereinafter "Unitrin"), Warner Insurance Company (NAIC #26085) (hereinafter "Warner"), Merastar Insurance Company (NAIC #31968) (hereinafter "Merastar"), Alpha Property & Casualty Insurance Company (NAIC #38156) (hereinafter "Alpha"), Charter Indemnity Company (NAIC #37524) (hereinafter "Charter") and Financial Indemnity Company (NAIC #19852) (hereinafter "Financial"), 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, Unitrin, Warner, Merastar, Alpha, Charter and Financial 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 Unitrin, Warner, Merastar, Alpha, Charter and Financial based upon findings contained in Market Conduct Investigations and

WHEREAS, the Investigations revealed that:

1. Unitrin failed to include a payment for sales tax in one private passenger automobile policy first party total loss settlement even though Unitrin'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. Warner failed to include a payment for sales tax in one private passenger automobile policy first party total loss settlement even though Warner'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);

3. Merastar failed to include a payment for sales tax in one private passenger automobile policy first party total loss settlement even though Merastar'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);

4. Alpha failed to include a payment for sales tax in two private passenger automobile policy first party total loss settlements even though Alpha'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);

5. Charter failed to include a payment for sales tax in two private passenger automobile policy first party total loss settlements even though Charter'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);

6. Financial failed to include a payment for sales tax in two private passenger automobile policy first party total loss settlements even though Financial's policy provided for

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

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, Unitrin, Warner, Merastar, Alpha, Charter and Financial have agreed to resolve the issues raised in the Market Conduct Examinations and Investigations 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.** Unitrin, Warner, Merastar, Alpha, Charter and Financial 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. Unitrin, Warner, Merastar, Alpha, Charter and Financial 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. Unitrin 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 Unitrin 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 Unitrin to the claimant, Unitrin 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. In the event that Unitrin can document that a claimant received a sales tax credit from the State of Missouri in an amount at least equal to the contractual value payable for sales tax under the terms of the policy at the time of loss, the payment

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

of restitution as outlined in this paragraph, shall be made to the State of Missouri.

3. Warner 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 Warner 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 Warner to the claimant, Warner 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. In the event that Warner can document that a claimant received a sales tax credit from the State of Missouri in an amount at least equal to the contractual value payable for sales tax under the terms of the policy at the time of loss, the payment of restitution as outlined in this paragraph, shall be made to the State of Missouri.

4. Merastar 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 Merastar 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.[4] If all applicable sales tax was not paid by Merastar to the claimant, Merastar 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. In the event that Merastar can document that a claimant received a sales tax credit from the State of Missouri in an amount at least equal to the contractual value payable for sales tax under the terms of the policy at the time of loss, the payment of restitution as outlined in this paragraph, shall be made to the State of Missouri.

5. Alpha 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

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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.

determine if Alpha 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.[5] If all applicable sales tax was not paid by Alpha to the claimant, Alpha 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. In the event that Alpha can document that a claimant received a sales tax credit from the State of Missouri in an amount at least equal to the contractual value payable for sales tax under the terms of the policy at the time of loss, the payment of restitution as outlined in this paragraph, shall be made to the State of Missouri.

6. Charter 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 Charter 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.[6] If all applicable sales tax was not paid by Charter to the claimant, Charter 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. In the event that Charter can document that a claimant received a sales tax credit from the State of Missouri in an amount at least equal to the contractual value payable for sales tax under the terms of the policy at the time of loss, the payment of restitution as outlined in this paragraph, shall be made to the State of Missouri.

7. Financial 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 Financial 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.[7] If all applicable sales tax was not paid by Financial to the claimant, Financial shall pay restitution to the claimant in the

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

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

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. In the event that Financial can document that a claimant received a sales tax credit from the State of Missouri in an amount at least equal to the contractual value payable for sales tax under the terms of the policy at the time of loss, the payment of restitution as outlined in this paragraph, shall be made to the State of Missouri.

C. **Compliance.** Unitrin, Warner, Merastar, Alpha, Charter and Financial 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.** Unitrin agrees, voluntarily and knowingly, to surrender and forfeit the sum of $1,000 such sum payable to the Missouri State School Fund, in accordance with §374.280. Warner agrees, voluntarily and knowingly, to surrender and forfeit the sum of $1,000 such sum payable to the Missouri State School Fund, in accordance with §374.280. Merastar agrees, voluntarily and knowingly, to surrender and forfeit the sum of $1,000 such sum payable to the Missouri State School Fund, in accordance with §374.280. Alpha 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. Charter 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. Financial 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 Unitrin, Warner, Merastar, Alpha, Charter or Financial, other than those agreed to in this Stipulation, in connection with Market Conduct Examinations #1503-51-TGT and 1503-53-TGT, 1503-41-TGT, 1503-21-TGT, 1503-28-TGT and 1503-35-TGT.

F. **Waivers.** Unitrin, Warner, Merastar, Alpha, Charter and Financial, after being

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

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 #1503-51-TGT and 1503-53-TGT, 1503-41-TGT, 1503-21-TGT, 1503-28-TGT and 1503-35-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 of Settlement and Voluntary Forfeiture 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 of Settlement and Voluntary Forfeiture.

J. **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.

K. **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: 6/4/2015

Angela L. Nelson
Director, Division of Insurance
Market Regulation

DATED: 6/4/15

Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: 6-1-2015

Elizabeth C. Lupetini, President
Unitrin Direct Property & Casualty Company

DATED: 6-1-2015

Elizabeth C. Lupetini, President
Warner Insurance Company

DATED: 6-1-2015

Elizabeth C. Lupetini, President
Merastar Insurance Company

DATED: 6-1-2015

Brian J. Delfino, President
Alpha Property and Casualty Insurance Company

DATED: 6-1-2015

Brian J. Delfino, President
Charter Indemnity Company

DATED: 6-1-2015

Timothy D. Bruns, President
Financial Indemnity Company