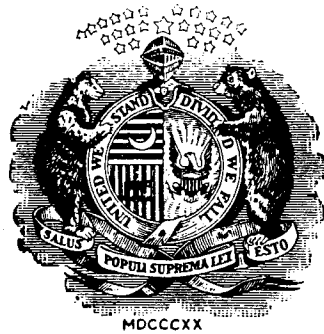


# STATE OF MISSOURI

DEPARTMENT OF



INSURANCE

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

TO: Office of the President  
Hawkeye-Security Insurance  
1245 Jordan Creek Pkwy.  
West Des Moines, IA 50266

RE: Missouri Market Conduct Examination #0407-53-PAC  
NAIC Group Code #0111  
Hawkeye-Security Insurance (NAIC # 36919)  
Including: Midwestern Indemnity Co. (NAIC #23515)  
Peerless Insurance Co. (NAIC #24198)

## **STIPULATION OF SETTLEMENT** **VOLUNTARY FORFEITURE AND ORDER OF DIRECTOR**

It is hereby stipulated and agreed by W. Dale Finke, Director of the Missouri Department of Insurance, hereinafter referred to as "Director," and Hawkeye-Security Insurance, hereinafter referred to as "Hawkeye," as follows:

WHEREAS, W. Dale Finke is the Director of the Department of Insurance, 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, Hawkeye 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 Hawkeye and prepared report number 0407-53-PAC; and

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

1. In some instances, Hawkeye failed to timely respond to the examiners' requests for information and criticisms, thereby violating §374.205, RSMo.

2. In some instances, Hawkeye failed to issue its workers' compensation policies with the required WC 24 06 02 endorsement relating to the Missouri Property and Casualty Guaranty Association, as required by §379.321(1), RSMo, and NCCI guidelines filed with the MDI.

3. In some instances, Hawkeye failed to provide the examiners copies of applications for its Homeowners (HO3) and (HO7), Dwelling Fire, Private Passenger Automobile, and Personal Package policies, as well as its Homeowners and Personal Package policies that were terminated in the first 60 days. This failure to produce the requested documents was a violation of §374.205.2(2) and 20 CSR 300-2.200(3)(A)1.

4. In some instances, Hawkeye incorrectly rated one (1) of its Dwelling Fire policies, resulting in an overcharge to the insured, in violation of §379.321.1, RSMo.

5. In some instances, Hawkeye's applications for its Personal Package policies the question asking whether the applicant had ever been cancelled, non-renewed or declined, thereby violating §375.936(11)(f), RSMo.

6. In some instances, Hawkeye miscalculated the deductibles and/or premiums and incorrectly rated some of its Commercial Package policies, thereby violating §379.321.1, RSMo, 20 CSR 500-4.100(7)(A), and rates filed with the MDI. In some cases, these errors resulted in under- and over-charges by the insurer.

7. In some instances, Hawkeye failed to include documentation in its Workers' Compensation policy files showing that the proper debits/credits were applied for actual risk characteristics, thereby violating MDI Bulletin 97-03.

8. In some instances, Hawkeye's Private Passenger Automobile and Commercial Non-renewed policy files were found to not have any reasons for the non-renewals and/or the reason(s) given were not sufficiently clear and specific, thereby violating §379.120, RSMo.

9. In some instances, Hawkeye's Commercial Cancellation policy files did not contain documentation as to why the policies were cancelled, thereby violating 20 CSR 300-2.200(2).

10. In some instances, Hawkeye failed to pay its Personal Automobile Physical Damage Claims Closed With and Without Payment within 15 days as required by 20 CSR 100-1.040.

11. In some instances, Hawkeye failed to maintain a copy of the Missouri Sales Tax Affidavit in its files, prove that a copy of the affidavit was timely provided to its insured(s), and assure that its insureds receive an affidavit with accurate information contained in it, thereby violating §§144.027, 144.227 and 301.227RSMo, and 20 CSR 300-2.200(B).

12. In some instances, Hawkeye failed to pay some of its Dwelling Fire policy claims within 15 working days of receipt, thereby violating 20 CSR 100-1.050.

13. In some instances, Hawkeye failed to promptly pay some of its Workers' Compensation Indemnity Losses as required by §287.160, RSMo.

WHEREAS, Hawkeye hereby agrees to take remedial action bringing Hawkeye into compliance with the statutes and regulations of the State of Missouri and agrees to maintain those corrective actions at all times, including, but not limited to, taking the following actions:

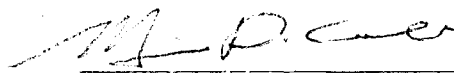
1. The Company agrees to take corrective action to assure that the errors noted in the above-referenced market conduct examination report do not recur; and
2. The Company agrees to take corrective action to review all of its Commercial policies and Business Owners policies dated June 1, 2002, to the present and issue any refunds on rate adjustments at renewal, as well as to provide documentation or other evidence to the Department that such payments have been made within 90 days of said payment; and
3. The Company agrees to take corrective action to assure that the required WC 24 06 02 endorsement relating to the Missouri Property and Casualty Guaranty Association, is issued to all of its workers' compensation policies as required by §379.321(1), RSMo, and NCCI guidelines.

WHEREAS, Hawkeye, 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, Hawkeye hereby agrees to the imposition of the ORDER of the Director set forth below and as a result of Market Conduct Examination #0407-53-PAC further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$59,846.25.

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 Hawkeye to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Hawkeye does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director set forth below and does surrender and forfeit the sum of \$59,846.25, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 12/13/05

  
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President  
Hawkeye Security Insurance Company