

the Voluntary Forfeiture of \$100,000, 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 24th day of February, 2016.



John M. Huff
Director



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

**DEPARTMENT OF COMMERCE
STATE OF MINNESOTA**

IN THE MATTER OF:)
) **Mo. Market Conduct Investigation #14003-Global-PC**
GLOBAL AEROSPACE, INC) **Minn. Market Conduct Investigation E-Case #1487**
)
)

**STIPULATION OF SETTLEMENT
AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by the Missouri Division of Insurance Market Regulation (hereinafter “the Missouri Division”) of the Missouri Department of Insurance, Financial Institutions and Professional Registration, the Minnesota Department of Commerce (hereinafter “Minnesota Department”) and Global Aerospace, Inc. (hereinafter referred to as “Global”), as follows:

WHEREAS, Global is a New Jersey corporation, administering an aviation insurance pool NAIC # AA 9995137 on behalf of its member insurance companies in Missouri and Minnesota (hereinafter “Global Business”);

WHEREAS, the Missouri Division and the Minnesota Department conducted a Market Conduct Investigation of Global mainly focusing on aviation Private Business and Pleasure policies written by Global (hereinafter “PB&P”);

WHEREAS, Global asserts that it is not aware of complaints filed with the Missouri Department or the Minnesota Department by Global’s policyholders regarding Global Business;

WHEREAS, Global believes that it has shown a good faith desire to comply with the insurance laws and regulations of Missouri and Minnesota; and

WHEREAS, based on the Market Conduct Investigations the Missouri Division and the Minnesota Department allege that for Global Business:

1. Global failed to file forms, rates, and rules for policies issued to Missouri and

Minnesota risks, in violation of §379.321¹ and Minn. Stat. 70A.06;

2. Global may have charged premiums based on rate plans that did not comply with §§379.318 and 379.470 and Minn. Stat. 70A.04;

3. Global failed to properly appoint producers and maintain a producer log, in violation of §375.022 and Minn. Stat. 60K.49;

4. For some products that were not exempted from section §379.460, Global failed to submit information to the Missouri Department, in violation of §379.460;

5. Global's marketing materials, policy and website were unclear and a policyholder could be confused and believe that Global was the underwriting insurance company in violation of §375.936 (4) and Minn. Stat. 72A.20;

6. Global failed to properly identify producers involved in the transactions on applications, in violation of 20CSR100-8.040 (3)(A)1.B and Minn. Stat. 60K.49;

7. Global failed to develop and implement a program in compliance with the NAIC *Financial Condition Examiners Handbook* Part 1 §IV.E.(c).

NOW THEREFORE, the Missouri Division, the Minnesota Department and Global have agreed to resolve the issues raised in the Market Conduct Investigations 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. **Applicability of Agreement.** This Stipulation applies to Global, its employees, contractors, parents, subsidiaries, affiliates, successors and assigns, and to other entities acting at its direction or on its behalf.

C. **Remedial Action.** Global agrees to continue to take remedial action to bring it into compliance with the statutes and regulations of Missouri and Minnesota and agrees to maintain those remedial actions at all times, to reasonably assure that the alleged errors noted in the above-referenced Market Conduct Investigations do not recur. Global shall continue to take

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

appropriate steps to cure the alleged errors including but not limited to, the following:

1. Global agrees that Global Business will be issued through a single licensed and admitted insurance company in Missouri. (hereinafter "Underwriting Company" - All references to the Underwriting Company are only for the writing of Global Business.)

2. Global agrees that Global Business written on PB&P policies will be issued through an Underwriting Company in Minnesota.

3. Global agrees to ensure that all forms, rates, and rules used by the Underwriting Company for insurance policies sold or solicited to Missouri or Minnesota risks will be properly filed within the time frames provided by the applicable statute or regulation;

4. Global agrees to ensure that the rates filed by the Underwriting Company are actuarially justified and to provide information with its rate filings to adequately justify the rates to be used for Missouri or Minnesota risks.

5. Pursuant to a "Consent to Actuarial Review" entered into by the parties (Exhibit A), Global has consented to have an actuarial review conducted on the rates charged for aviation and aviation-related insurance business administered by Global. If the actuarial review finds the rates charged to PB&P policyholders were excessive, Global agrees to conduct a review and provide refunds to affected policyholders. The review will cover a period of 60 months, ending on the date the actuarial report is delivered to the Missouri Division and the Minnesota Department. If it is determined that the rates charged for PB&P were excessive, refunds will be provided to affected policyholders. The amount, manner in which they are calculated, the timing and the process by which the refunds will be distributed, if any, are subject to prior approval by the Missouri Division and the Minnesota Department.

6. If the actuarial review finds that the rates charged to PB&P policyholders were excessive, within 120 days from the date the actuarial report is delivered to the Missouri Division and the Minnesota Department, Global agrees to ensure that actuarially justified rates will be filed with the Missouri Division and the Minnesota Department.

7. Global agrees to ensure that producers will be appointed by the Underwriting Company and that a producer log will be maintained in accordance with Missouri and Minnesota law. This log may be in electronic form as long as it satisfies all requirements

of the applicable Missouri and Minnesota laws.

8. Global agrees to ensure that the Underwriting Company will identify the soliciting producer on each application used to solicit new business or renewal business on Missouri or Minnesota risks, to maintain the application in the policy file in accordance with applicable Missouri or Minnesota record retention requirements, and ensure the producer is properly licensed and appointed prior to paying commissions.

9. Global agrees that all information required to be filed or submitted to the Missouri Department by Missouri statutes or regulations and all information required to be filed or submitted to the Minnesota Department by Minnesota statutes or regulations will be filed or submitted by the Underwriting Company.

10. Global agrees to ensure its website and policy forms clearly identify the Underwriting Company and explain Global's role in any potential insurance transaction.

11. Global agrees to ensure that it develop and implement methodologies in compliance with NAIC Financial Condition Examiners Handbook Part 1 §IV.E.(c)

D. **Compliance.** Global agrees, except for the actuarial review and refunds discussed in Section C.5. above it will file documentation of actions taken to implement compliance with the terms of this Stipulation with the Missouri Division and the Minnesota Department within 120 days of the entry of a final order of any remedial action. If a filing is required pursuant to Section C.6 above, Global will ensure that the Missouri Division and the Minnesota Department are notified within 30 days of the final and accepted SERFF filing, demonstrating that such filing was made in each state. Regarding the actuarial review and refunds discussed in Section C.5. above, Global agrees it will file documentation with the Missouri Division and the Minnesota Department within 120 days of the Missouri Division and the Minnesota Department approving the methodology and timing for the distribution of the refunds, if any, as required by Section C.5. above.

E. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by Global, the Underwriting Company or the insurance company members of Global, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above referenced Market Conduct Investigations.

F. **Other Penalties.** The Missouri Division and the Minnesota Department agree they will not seek, either individually or in concert with any other Department of Insurance, penalties other than those agreed to in this Stipulation against Global, the Underwriting Company or the insurance company members of Global, in connection with the subject matter of the Missouri Market Conduct Investigation #14003 and Minnesota Market Conduct Investigation E-Case#1487.

G. **Voluntary Forfeiture.** Global agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$100,000 such sum payable to the Missouri State School Fund, in accordance with §374.280. Global further agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$100,000 to the State of Minnesota as a civil penalty pursuant to Minn. Stat. §45.027, subd. 6.

H. **Waivers.** Global, 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, and review or appeal by any trial or appellate court, which may have otherwise applied to the above referenced Market Conduct Investigations.

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

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

K. **Effect of Stipulation.** This Stipulation shall not become effective until entry of a Final Order by the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Director") and the Minnesota Commissioner of Commerce (hereinafter "Commissioner") approving this Stipulation.

L. **Request for an Order.** The signatories below request that the Director and the Commissioner issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

M. **Counterparts.** This Stipulation may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one


or more of the counterparts have been signed by each of the Minnesota Department, Missouri Department and Global. It is understood and agreed that all parties need not sign the same but each must sign at least one counterpart.

DATED: 2/19/2016



Angela L. Nelson
Director
Division of Insurance Market Regulation

DATED: 2/19/2016




Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: _____

[Insert Name]
[Insert Title]
Minnesota Department of Commerce

DATED: 2/9/2016



Jeffrey S. Bruno
President
Global Aerospace, Inc.

EXECUTION COPY

or more of the counterparts have been signed by each of the Minnesota Department, Missouri Department and Global. It is understood and agreed that all parties need not sign the same but each must sign at least one counterpart.

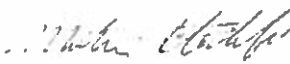
DATED: _____

Angela L. Nelson
Director
Division of Insurance Market Regulation

DATED: _____

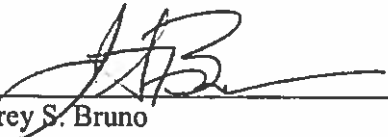
Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: 3-3-2016



[Insert Name] MARTIN B. FLEISCHHACKER
[Insert Title] Assistant Commissioner -
Minnesota Department of Commerce Enforcement +

DATED: 2/9/2016



Jeffrey S. Bruno
President
Global Aerospace, Inc.