ORDER OF THE DIRECTOR

NOW, on this 2nd day of August, 2013, Director John M. Huff, after consideration and review of the market conduct investigation of Lumbermens Underwriting Alliance (NAIC #0000-23108), (hereafter referred to as “the Company”) investigation number 10133-23108-PC, conducted by the Division of Insurance Market Regulation pursuant to §374.190 RSMo, and the Stipulation of Settlement (“Stipulation”), does hereby issue the following orders:

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

IT IS THEREFORE ORDERED that, the Company 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 Company shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place the 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 the Company shall pay, and the Department of Insurance,
Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $25,000, 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 2nd day of August, 2013.

John M. Huff
Director
TO: Lumbermens Underwriting Alliance  
520 NE Colbern Road, Suite B  
Lee’s Summit, MO 64086-4711

RE: Lumbermens Underwriting Alliance (NAIC #0000-23108)  
Missouri Market Conduct Investigation #10133-23108-PC

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  
Lumbermens Underwriting Alliance (NAIC #0000-23108), (hereafter referred to as "Lumbermens") 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, Lumbermens 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 Investigation of Lumbermens and  
prepared report number 10133-23108-PC; and

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

1. In eighty five (85) instances, Lumbermens failed to submit filings for individually rated  
large deductible workers compensation insurance policies in violation of §287.310\(^1\), §287.947 and  
§287.957;

\(^1\) All references, unless otherwise noted, are to Missouri Revised Statutes 2000, as amended.
2. Lumbermens failed to apply the Second Injury Surcharge Factor to total premium including the terrorism charge in violation of §287.310.9 and §287.715.

3. Lumbermens failed to apply the Administrative Surcharge Factor to total premium including the terrorism charge in violation of §287.310.9 and §287.715.

4. Lumbermens failed to make filings regarding the Entry Ratio Factor and rounding of the Insurance Charge Factor in violation of §287.310.9 and §287.716.2;

5. Lumbermens rated 83 policies using a hybrid of the NCCI Retrospective Rating Plan and its Large Deductible Plan without submitting individual rating plans in violation of §287.948 and §287.310.4.

WHEREAS, Lumbermens hereby agrees to take remedial action bringing the Company 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 investigation report do not recur. The remedial actions shall include, but are not limited to, the following:

1. Lumbermens agrees to file individual rating plans for all in force large deductible workers compensation insurance policies with the Director within 30 days of the date of the order closing this investigation, and agrees to file individual rating plans for all large deductible workers compensation insurance policies within 30 days of the effective date of the policy;

2. Lumbermens agrees to review all large deductible workers compensation insurance policies issued from January 1, 2006 to January 1, 2008 to determine if the insured is entitled to any refund of premium or if the Second Injury Fund or Administrative Surcharge was incorrectly paid. If the policyholder is entitled to a refund of premium, the Company must issue any refund due to the insured, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required, pursuant to §408.020. A letter must be included with the payment, indicating that "as a result of a Missouri Market Conduct examination," it was found that a refund was due to the insured. If the Second Injury Fund is owed additional payments, such payments shall be made to the fund with any applicable interest and penalties together with any amended filings required by the Division of Workers Compensation. Additionally, evidence must be provided to the Department that such refunds to the insured and payments to the Second Injury Fund have been made within 90 days after the date of the Order finalizing this investigation. If the Administrative surcharge was underpaid, such payments that are owed, with any applicable interest and penalties, shall be paid to the Department of Revenue within 90 days of the date of
the Order finalizing this investigation. In addition, if underpayments are discovered, the Company must file an amended return on its Administrative Surcharge calculation in a manner satisfactory to the Premium Tax Section of the Department within 90 days of the date of the Order finalizing this investigation.

WHEREAS, Lumbermens, 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 Investigation; and

WHEREAS, Lumbermens hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Investigation #10133-23108-PC further agrees, voluntarily and knowingly, to surrender and forfeit the sum of $25,000.

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 Lumbermens to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Lumbermens does hereby voluntarily and knowingly waive all rights to any hearing, consents to the ORDER of the Director, consents to take the remedial actions required by this stipulation, and consents to surrender and forfeit the sum of $25,000 such sum payable to the Missouri State School Fund, in accordance with §374.280.

DATED: July 28, 2013

[Signature]
President
Lumbermens Underwriting Alliance

[Signature]