



DEPARTMENT OF COMMERCE & INSURANCE

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

In Re:

STATE AUTOMOBILE MUTUAL
INSURANCE COMPANY
(NAIC # 175-25135)

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Market Conduct Investigation No. 388713

ORDER OF THE DIRECTOR

NOW, on this 17th day of April, 2024, Director, Chlora Lindley-Myers, after consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (hereinafter “Stipulation”) entered into by the Division of Insurance Market Regulation (hereinafter “Division”), and State Automobile Mutual Insurance Company (hereinafter “State Auto”), relating to the market conduct investigation no. 388713, does hereby issue the following orders:

This order, issued pursuant to §374.046.15¹ and §374.280 is in the public interest.

IT IS THEREFORE ORDERED that State Auto and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that State Auto shall not engage in any of the violations of statutes and regulations set forth in the Stipulation, shall implement procedures to place it 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, and shall fully comply with all terms of the Stipulation.

¹ All references, unless otherwise noted, are to Revised Statutes of Missouri 2016.

IT IS FURTHER ORDERED that State Auto shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$4,500.00, 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 17th day of April, 2024.



Chlora Lindley-Myers

Chlora Lindley-Myers
Director

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)
)
STATE AUTOMOBILE MUTUAL)
INSURANCE COMPANY)
(NAIC # 175-25135)) **Market Conduct Investigation No. 388713**
)

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter the “Division”), and State Auto Mutual Insurance Company (hereinafter “State Auto”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (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 of Missouri;

WHEREAS, State Auto has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct investigation of State Auto, investigation no. 388713; and

WHEREAS, based on the market conduct investigation of State Auto, the Division alleges that:

1. State Auto charged different rates for like insureds with like vehicles based on the accident history of the vehicles obtained through a Vehicle History Score without considering repairs completed, in violation of §379.470.¹

¹ All statutory references, unless otherwise noted, are to the 2016 Revised Statutes of Missouri, as amended.

2. State Auto ran Vehicle History Scores for vehicles less than two years old after policy inception while running Vehicle History Scores for older vehicles at policy inception, resulting in a consideration of post inception accidents for vehicles less than two years old, in violation of §379.470.

3. State Auto considered accidents in rating factors through the Vehicle History Score for comprehensive and uninsured motorist coverage, in violation of §379.470 and 20 CSR 500-2.700.

4. State Auto considered all prior incidents in Vehicle History Scores including not-at-fault accidents for existing policyholders, in violation of §379.470 and 20 CSR 500-2.600.

5. State Auto omitted to disclose in its policies on branded title vehicles that the vehicle will be valued lower in the event of a total loss than a similar vehicle without a branded title in violation of §375.936 (6) (a) and §375.934.

WHEREAS, the Division and State Auto have agreed to resolve the issues raised in the market conduct investigation 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. **Remedial Action.** State Auto agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those remedial actions at all times. Such remedial actions shall include the following:

1. State Auto agrees not to charge different rates for like vehicles that are in substantially similar condition, even if one of the vehicles was damaged and then repaired.

2. State Auto agrees to cease treating insureds with vehicles that are less than two years

old differently with respect to the timing of the issuance of a Vehicle History Score from vehicles that are greater than two years old.

3. State Auto agrees to cease considering accidents in rating comprehensive and uninsured motorist coverage.

4. State Auto acknowledges that policy holders may have been impacted by a not-at-fault accident that affected the condition of their vehicle, which may then have impacted premium. State Auto agrees to cease considering not-at-fault accident in rating the vehicle for existing policyholders.

5. State Auto agrees to file with the Department the Transunion VHS no damage model within 60 days of the date of the Order approving this Stipulation.

6. State Auto agrees to review all active auto policies from January 1, 2021, to December 31, 2023, to determine if premium for uninsured motorist or comprehensive coverage was increased as a result of an accident. If premium was affected, State Auto agrees to issue a refund to the affected policyholder for the difference between the premium charged and the premium that would have been charged if the accident was not considered. Additionally, damage from not-at-fault accidents will also be considered when applicable as part of the uninsured motorist and/or comprehensive coverage premium impact, and will be refunded accordingly. Interest, in an amount to be determined pursuant to §374.191, will be included with the refund payments. No refund is required to be issued if the amount of the refund check will be \$5.00 or less. A letter will also be included with the payment indicating that as a result of a Missouri Market Conduct Investigation, it was determined that a premium refund was due to the policyholder.

7. State Auto agrees to disclose in its policies on branded title vehicles that the vehicle will be valued lower in the event of a total loss than a similar vehicle without a branded title.

C. **Compliance.** State Auto agrees to file documentation pursuant to §374.190 with the Division, in a format acceptable to the Division, within 90 days, but no later than 180 days, of the entry of an Order approving this Stipulation, of any remedial action taken to implement compliance with the terms of this Stipulation, including the payment of refunds to policyholders.

D. **Voluntary Forfeiture.** State Auto agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$4,500 such sum payable to the Missouri State School Fund, in accordance with §§374.049.11 and 374.280.2.

E. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by State Auto, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above referenced market conduct investigation.

F. **Waivers.** State Auto, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights to 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 market conduct investigation no. 388713.

G. **Amendments.** No amendments to this Stipulation shall be effective unless made in writing and agreed to by authorized representatives of the Division and State Auto.

H. **Governing Law.** This Stipulation 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, on behalf of the Division and State Auto, respectively.

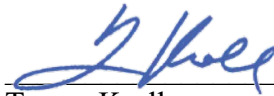
J. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of

which shall be deemed an original and all of which taken together shall constitute a single document. Execution by facsimile or by electronically transmitted signature shall be fully and legally effective and binding.

K. **Effect of Stipulation.** This Stipulation shall not become effective until entry of an Order by the Director of the Department (hereinafter “Director”) approving this Stipulation.

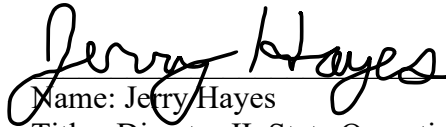
L. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: April 8, 2024



Teresa Kroll
Chief Market Conduct Examiner
Division of Insurance Market Regulation

DATED: 04/05/2024



Name: Jerry Hayes
Title: Director II, State Operations
State Automobile Mutual Insurance Company