

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

In Re:)
)
SAFE AUTO INSURANCE) **Market Conduct Exam No. 1010-14-TGT**
COMPANY (NAIC #25405))

ORDER OF THE DIRECTOR

NOW, on this 21st day of AUGUST, 2015, Director John M. Huff, after consideration and review of the market conduct examination of Safe Auto Insurance Company (NAIC #25405) (hereinafter "Safe Auto") conducted by the Division of Insurance Market Regulation (hereinafter the "Division") pursuant to §374.205 RSMo 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, §374.280 and §374.046.15. RSMo (Cum. Supp. 2013), is in the public interest.

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

IT IS FURTHER ORDERED that Safe Auto shall implement procedures to place Safe Auto in full compliance with the requirements of 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 Safe Auto shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of eighty thousand dollars (\$80,000) 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 21st day of AUGUST, 2015.




John M. Huff
Director

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SAFE AUTO INSURANCE)
COMPANY (NAIC # 25405)) **Market Conduct Exam No. 1010-14-TGT**
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**STIPULATION OF SETTLEMENT
AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division") and Safe Auto Insurance Company (NAIC #25405) (hereinafter referred to as "Safe Auto"), 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, Safe Auto has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Division conducted a Market Conduct Examination of Safe Auto for the examination period of January 1, 2008 through December 31, 2010; and

WHEREAS, based upon the Market Conduct Examination, the Division alleges that:

1. A discrepancy exists between the "paid in full" discount listed in Missouri Rating Rules and the Safe Auto's Underwriting Guidelines in violation of 20 CSR 500-4.100 (1);
2. In several instances, Safe Auto failed to apply an anti-theft discount to vehicles, based solely on information provided by the insured, without making any independent determination in accordance with its filed rules applicable to the discount, whether the vehicle qualified for an anti-theft discount in violation of §375.445.¹;
3. Between August 15, 2008 and January 7, 2009, Safe Auto failed to provide

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

vehicle equipment discounts – for airbag, anti-lock brakes, daytime running lights, and passive restraints, on certain vehicles (where quotes were issued via the Company’s internet portal) that qualified for the discounts in violation of §375.445;

4. In several instances, Safe Auto failed to include payment of title and processing fees as part of its total loss settlements in violation of §375.1007 (4);

5. In eighty seven (87) instances, Safe Auto did not adequately document the handling of total loss claims in violation of §375.1007 (4), §374.205.2 (2) and 20 CSR 100-8.040 (3) (B);

6. In two instances, Safe Auto underpaid claims in violation of §375.1007 (4);

7. In fourteen (14) instances, Safe Auto failed to adequately document salvage values in violation of §374.205.2 (2) and 20 CSR 100-8.040 (3) (B);

8. In several instances, Safe Auto committed errors relating to Medical Payment claims in violation of §§ 375.1007 (1) (4) (11) and 20 CSR 100-1.030, 20 CSR 100-1.020, and 20 CSR 100-1.050;

9. In five (5) instances, Safe Auto committed timeliness errors on Uninsured and Underinsured Motorist claims in violation of §375.1007 (2).

WHEREAS, Safe Auto has denied, contested in some manner or provided documentation to rebut each of the foregoing allegations;

WHEREAS, the Division and Safe Auto have agreed to resolve the foregoing allegations by way of a compromise settlement, which represents neither an admission of any liability or violation of law by Safe Auto nor any concession of non-liability or non-violation by the Division; and

WHEREAS, the parties now agree 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. Subsequent Action. Safe Auto agrees to undertake the specific actions identified

herein and to maintain those actions at all times and to use its best efforts to ensure that its Missouri business operations remain in compliance with Missouri law. Such subsequent actions shall include the following:

1. Safe Auto agrees that in the event the Company should offer an anti-theft discount to policyholders, Safe Auto will make an independent determination of whether a vehicle contains anti-theft equipment qualifying it for an anti-theft discount, and will not rely solely on information regarding anti-theft equipment obtained from the policyholder.

2. Safe Auto agrees to review all personal automobile policies from January 1, 2008 through January 25, 2015 to determine if the policyholder was entitled to receive an anti-theft discount. If Safe Auto determines, based on independent research of the vehicle, that the vehicle qualified for an anti-theft discount, Safe Auto will re-rate the policy and will refund or credit the policyholder for the amount of the discount. Safe Auto may apply the amount of the discount to the net balance of the policy. Safe Auto shall not be required to make any refund or credit where the amount owing is \$5.00 or less. A letter shall be included with the payments in a form to be approved by the Division.

3. Safe Auto will provide the Division with documentation of refunds previously paid to policyholders who were eligible to receive, but did not receive, vehicle equipment discounts – for airbag, anti-lock brakes, daytime running lights, and passive restraints, on certain vehicles between August 15, 2008 and January 7, 2009. Safe Auto further agrees that in the event that a refund was not provided to any policyholder who qualified for, but failed to receive such discounts, Safe Auto will issue such refund for the amount of the discounts to the policyholder. A letter must be included with the payments in a form to be approved by the Division.

4. Safe Auto agrees to reimburse all total loss claimants who filed a claim between January 1, 2008 and the date of the Order closing this examination for title and processing fees. A letter shall be included with the payments in a form to be approved by the Division.

5. Safe Auto agrees that it will make payment of the title fee plus the processing fee to claimants on all auto total loss settlements, beginning 30 days from the date a final order is entered in this matter.

6. Safe Auto agrees to maintain adequate documentation in its claim files to support the handling of the claim, including but not limited to, maintaining adequate documentation of salvage values.

7. Safe Auto agrees to review all Medical Payments claims from January 1, 2008 until the date of the Order closing this exam to determine if Medical Payments coverage was properly handled. If Medical Payments coverage was available to the claimant, and the Company failed to disclose the coverage or underpaid the claim, Safe Auto must issue any payments that are due to the claimant for Medical Payments coverage. A letter must be included with the payments in a form to be approved by the Division.

C. **Compliance.** Safe Auto agrees to file documentation with the Division on or before December 31, 2015 of all remedial action taken to implement compliance with the terms of this stipulation and to document payment of any restitution or reimbursement required by this Stipulation. Safe Auto may apply to the Division to extend the December 31, 2015 date and such request for extension will be granted for good cause shown.

D. **Re-Examination** Safe Auto and the Division agree that the Division may, at its option, conduct a re-examination to determine Safe Auto's compliance with the terms of this Stipulation. Safe Auto agrees that it will pay the cost of such re-examination.

E. **Voluntary Forfeiture.** Safe Auto agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$80,000, such sum payable to the Missouri State School Fund, in accordance with §374.280.

F. **Other Penalties.** The Division agrees that it will not seek penalties against Safe Auto, other than those agreed to in this Stipulation, for the conduct found in Market Conduct Examination 1010-14-TGT.

G. **Waivers.** Safe Auto, 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 Examination.

H. **Changes.** No changes to this stipulation shall be effective unless made in writing

and agreed to by all signatories to the stipulation.

I. **Governing Law.** This Stipulation of Settlement and Voluntary Forfeiture shall be governed and construed in accordance with the laws of the State of Missouri.

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

K. **Effect of Stipulation.** This Stipulation of Settlement and Voluntary Forfeiture shall become effective only upon entry of a Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Director") approving this Stipulation.

L. **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: 8-19-2015



Angela Nelson
Director, Division of Insurance
Market Regulation

DATED: 8-19-2015



Stewart Freilich
Senior Regulatory Affairs Counsel
Attorney for Division of Market Regulation

DATED: 8-7-2015



Ron Davies
President & CEO
Safe Auto Insurance Company

DATED: 8-7-2015



Jeffrey A. Little
Associate General Counsel
Safe Auto Insurance Company