

**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 #13014-USAU-PC**
UNITED STATES AVIATION) **Minn. Market Conduct Investigation # 46047**
UNDERWRITERS, INC.)
)
UNITED STATES AIRCRAFT)
INSURANCE GROUP)
)

ORDER OF THE DIRECTOR
OF THE MISSOURI DEPARTMENT OF INSURANCE,
FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

NOW, on this 20th day of April, 2017, Director Chlora Lindley-Myers, after consideration and review of the market conduct investigation of United States Aviation Underwriters, Inc. (hereinafter USAU”) and United States Aircraft Insurance Group (hereinafter “USAIG”), Missouri Market Conduct Investigation Number 13014-USAU-PC, conducted by the Division of Insurance Market Regulation pursuant to §374.190 RSMo 2000, and the Stipulation of Settlement and Voluntary Forfeiture (“Stipulation”), does hereby issue the following orders:

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

IT IS THEREFORE ORDERED that USAU, USAIG and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

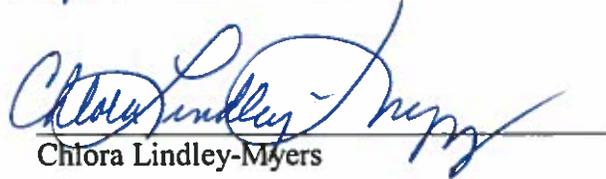
IT IS FURTHER ORDERED that USAU and USAIG shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place USAU and USAIG in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

IT IS FURTHER ORDERED that USAU and USAIG shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$45,000, payable to the Missouri State School Fund.

IT IS FURTHER ORDERED that USAU and USAIG shall pay and the Department of Insurance, Financial Institutions and Professional Registration shall accept the payment of \$45,000 to the Insurance Dedicated Fund as the reasonable costs of investigation.

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 20th day of April, 2017.


Chlora Lindley-Myers
Director



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**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 (hereinafter “Missouri Department”), the Minnesota Department of Commerce (hereinafter “Minnesota Department”), United States Aviation Underwriters, Inc. (hereinafter “USAU”) and United States Aircraft Insurance Group (hereinafter “USAIG”), as follows:

WHEREAS, USAU is registered in Missouri as ann Business Entity Producer;

WHEREAS, USAU is the manager of USAIG which is registered as a joint underwriting association (hereinafter “JUA”) in Missouri;

WHEREAS, USAU administers an aviation insurance pool on behalf of its member insurance companies in Missouri and Minnesota (hereinafter “USAIG Business”);

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

WHEREAS, USAIG, and its underwriting manager USAU, assert that USAIG have shown a good faith desire to comply with the insurance laws and regulations of Missouri and Minnesota;

WHEREAS, based on the Market Conduct Investigations the Missouri Division and the

Minnesota Department allege that for USAIG Business:

1. USAIG 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. USAIG may have charged premiums based on rate plans that did not comply with §§379.318 and 379.470 and Minn. Stat. 70A.04;
3. USAIG failed to properly appoint producers and maintain a producer log, in violation of §375.022 and Minn. Stat. 60K.49;
4. USAIG's marketing materials, policy and website were unclear and a policyholder could be confused and believe that USAIG was the underwriting insurance company in violation of §375.936 (4) and Minn. Stat. 79A.20;
5. USAIG 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;
6. USAIG paid commissions to unlicensed producers in violation of §375.076 and Minn. Stat. 60K.48.

NOW THEREFORE, the Missouri Division, the Minnesota Department, USAU and USAIG 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. **Remedial Action.** USAU and USAIG agree to continue to take remedial action to bring each into compliance with the statutes and regulations of Missouri and Minnesota and agree 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. USAU and USAIG shall continue to take appropriate steps to cure the alleged errors including but not limited to, the following:

1. USAU and USAIG agree that USAIG Business will be issued through a

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

single licensed and admitted insurance company (hereinafter “Underwriting Company”) in Missouri.

2. USAU and USAIG agree that USAIG Business written on PB&P policies will be issued through an Underwriting Company in Minnesota.

3. USAU and USAIG agree 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. USAU and USAIG agree 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, USAU and USAIG have consented to an actuarial review conducted on the rates charged for aviation and aviation-related insurance business administered by USAIG. If the actuarial review finds the rates charged to PB&P policyholders were excessive, USAU and USAIG agree that a review will be conducted by USAIG. 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, USAU and USAIG agree that actuarially justified rates will be filed with the Missouri Division and the Minnesota Department.

7. USAU and USAIG agree 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. USAU and USAIG agree 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. USAU and USAIG agree 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. USAU and USAIG agree that USAIG will provide complete and accurate information to the Underwriting Company such that the Underwriting Company can accurately report premium on the annual statement required to be filed with the Missouri Department and Minnesota Department.

11. USAU and USAIG agree to ensure that USAIG's website and policy forms clearly identify the Underwriting Company and explain USAIG's role in any potential insurance transaction.

C. **Compliance.** USAU and USAIG agree, except for the actuarial review and refunds, if any, discussed in Sections C (5) and (6) above that they will file documentation with the Missouri Division and the Minnesota Department within 120 days of the entry of a final order of any remedial action taken to implement compliance with the terms of this Stipulation. If a filing is required pursuant to Section C (6) above, USAU and USAIG 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 such state. Regarding the actuarial review and refunds, if any, discussed in Section C (5) and (6) above, USAU and USAIG agree they 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) and (6) above.

D. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission

by USAU, USAIG, the Underwriting Company or the insurance company members of USAIG, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above referenced market conduct investigations.

E. **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 USAU, USAIG, the Underwriting Company or the insurance company members of USAIG, in connection with the subject matter of the Missouri Market Conduct Investigation #13014-USAU-PC and Minnesota. Market Conduct Investigation #46047.

F. **Voluntary Forfeiture and Payment of Investigation Costs.** USAU and USAIG agree, voluntarily and knowingly, to surrender and forfeit the sum of \$45,000 such sum payable to the Missouri State School Fund, in accordance with §374.280. USAU and USAIG agree, voluntarily and knowingly, to make payment in the sum of \$45,000, such sum payable to the Insurance Dedicated Fund, as the reasonable costs of investigation, in accordance with §374.046.1 (4). USAU and USAIG further agree, voluntarily and knowingly, to surrender and forfeit the sum of \$90,000 to the State of Minnesota as a civil penalty pursuant to Minn. Stat. §45.027, subd. 6.

G. **Waivers.** USAU and USAIG, after being advised by legal counsel, do 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.

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

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

J. **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.

K. **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.

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

DATED: 3/31/2017 
Angela L. Nelson
Director
Division of Insurance Market Regulation

DATED: 3/31/2017 
Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: _____
Martin B. Fleischhacker
Assistant Commissioner - Enforcement
Minnesota Department of Commerce

DATED: 3-28-2017 
United States Aviation Underwriters, Inc.
Christopher R. Belli Secretary v.P.

DATED: 3-28-2017 
United States Aviation Underwriters, Inc.,
Manager of United States Aircraft
Insurance Group
Christopher R. Belli - Secretary v.P.

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L. Counterparts. This Stipulation may be executed in two or more counterparts, all of which shall be considered one and the same agreement.

DATED: _____

Angela L. Nelson
Director
Division of Insurance Market Regulation

DATED: _____

Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: 4-11-2017



Martin B. Fleischhacker
Assistant Commissioner - Enforcement
Minnesota Department of Commerce

DATED: 3-28-2017



United States Aviation Underwriters, Inc.
Christopher R. Bell Secretary V.P.

DATED: 3-28-2017



United States Aviation Underwriters, Inc.,
Manager of United States Aircraft
Insurance Group
Christopher R. Bell - Secretary V.P.