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

In Re:	)
	)
KEYSTONE MUTUAL INSURANCE	)
COMPANY (NAIC #13073)	)
	)

ORDER OF THE DIRECTOR

NOW, on this 7 day of July, 2015, Director John M. Huff, after consideration and review of the Stipulation by and between the Division of Insurance Company Regulation (hereafter referred to as the "Division"), and Keystone Mutual Insurance Company (NAIC #13073) (hereafter referred to as "Keystone"), concerning Keystone's provision of insurance against liability for cyber perils (hereafter referred to as the "Cyber Liability Coverage"), does hereby issue this order pursuant to § 374.046.15 RSMo (Supp. 2013). This order is in the public interest.

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

IT IS FURTHER ORDERED that Keystone shall implement remedial actions to place Keystone in full compliance with the requirements in the Stipulation and shall maintain those remedial actions at all times.

IT IS FURTHER ORDERED that Keystone shall divest itself of all risk, including that which is fully reinsured, related to the Cyber Liability Coverage, by no later than September 1, 2015.

IT IS FURTHER ORDERED that Keystone shall not write or renew any Cyber Liability Coverage after the date of this order.

IT IS FURTHER ORDERED that Keystone shall file documentation with the Division by no later than September 1, 2015, of all remedial action taken to implement compliance with the terms of the Stipulation.

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 7 day of July, 2015.

John M. Huff
Director

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

In Re:	)
	)
KEYSTONE MUTUAL INSURANCE	)
COMPANY (NAIC #13073)	)
	)

STIPULATION

It is hereby stipulated and agreed by the Division of Insurance Company Regulation (hereinafter referred to as the "Division") and Keystone Mutual Insurance Company (NAIC #13073) (hereinafter referred to as "Keystone") as follows:

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;

Keystone is a Chapter 383 malpractice insurance association authorized to engage in the business of malpractice insurance on the assessment plan in the State of Missouri pursuant to a certificate of authority issued under § 383.020;

Pursuant to § 383.010.1, Chapter 383 malpractice insurance associations may be formed "for the purpose of providing malpractice insurance or indemnification for such persons upon the assessment plan";

Pursuant to § 383.010.1, Chapter 383 malpractice insurance associations may additionally provide liability insurance, as defined in § 379.230(1), to those persons licensed pursuant to Chapter 197 for whom medical malpractice insurance is provided;

Pursuant to § 383.010.1, Chapter 383 malpractice insurance associations may additionally provide automobile insurance, as defined in § 379.230(3), for ambulances only, to those persons licensed pursuant to Chapter 197 for whom medical malpractice insurance is provided;

Chapter 383 malpractice insurance associations are not authorized under Missouri law to provide any insurance offerings outside of those described in the preceding three paragraphs;

On March 1, 2014, Keystone began offering insurance against liability for cyber perils ("Cyber Liability Coverage") through the writing of an endorsement amending an existing Professional Liability Insurance Policy;

As of June 23, 2015, the Cyber Liability Coverage is in effect for twenty-seven (27) of Keystone's group policyholders;

The Division alleges that the Cyber Liability Coverage exceeds the authority of a Chapter 383 malpractice insurance association as follows:

1. Multiple sections of the Cyber Liability Coverage provide coverage for claims that do not result from "the negligence or malpractice in rendering professional service by any health care provider," including but not limited to multimedia peril liability, security breach liability, privacy breach liability, and patient credit monitoring expenses; and

2. Multiple sections of the Cyber Liability Coverage provide coverage for claims where there is no "legal liability of the insured," including but not limited to claims made by an insured for loss of digital assets, non-physical business interruption expenses, cyber extortion expenses, cyber extortion ransom payments, and expenses incurred as a result of an act of terrorism causing interruption, degradation in service, or failure of the insured's computer system.

The Division alleges that the above-described conduct violates Missouri law, including but not limited to §§ 375.310.1, 379.010.2, and 379.235;

Keystone disagrees with the Division's interpretations as set forth above, denies that it has violated any Missouri law, and all parties are of the position that this Stipulation is a compromise of disputed factual and legal allegations, and that agreement to this Stipulation is not to be construed as an admission, but merely to resolve the dispute; and

Therefore, the Division and Keystone have agreed to resolve the issues raised by the Cyber Liability Coverage as follows:

A. Scope of Agreement. This 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. Keystone agrees to take the following remedial actions, and

agrees to maintain such remedial actions at all times, to reasonably assure that the alleged errors noted above do not recur. Such remedial actions shall include, but not be limited to, the following:

1. Keystone shall divest itself of all risk, including that which is fully reinsured, related to the Cyber Liability Coverage, by no later than September 1, 2015.

2. Keystone will not write or renew any Cyber Liability Coverage after entry of the Order approving this Stipulation.

3. This Stipulation does not prevent any insurer or producer with the requisite licensure or authorization from offering the Cyber Liability Coverage to Keystone insureds.

C. Compliance. Keystone agrees to file documentation with the Division by no later than September 1, 2015, of all remedial action taken to implement compliance with the terms of this Stipulation.

D. Effect of Non-Compliance. Keystone understands that in the event Keystone fails to fully and completely implement the remedial action detailed in this Stipulation by no later than September 1, 2015, the Division will view such non-compliance as sufficient grounds for the pursuit of an administrative or legal remedy alleging violations of §§ 379.010.3 and 379.235.3, as well as constitution of willful engagement in an act, practice, and course of business constituting a violation of § 375.310.1.

E. Waivers. Keystone, 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 this Stipulation and the Order approving this Stipulation. Except as set forth herein, Keystone does not waive any other right or defense, all of which are reserved.

F. No Admission. This Stipulation does not constitute an admission of liability, violation, or wrongdoing by Keystone, and Keystone expressly denies that any of its actions or alleged actions were knowingly committed or represented a pattern and/or business practice that would violate any statutes or regulations of the state of Missouri.

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

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.

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

K. 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: 7/7/2015

John Rehagen
Director
Division of Insurance Company Regulation

DATED: 7/07/2015

Kelly Hopper
Legal Counsel
Division of Insurance Company Regulation

DATED: 6-24-15

James Bowlin
Chief Executive Officer
Keystone Mutual Insurance Company

DATED: 6-25-15

Kevin Rejent
General Counsel
Keystone Mutual Insurance Company