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

In Re:	)
	)
NATIONAL UNION FIRE INSURANCE COMPANY OF VERMONT (NAIC #11562)	)
	)
NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA (NAIC #19445)	)
	)
ILLINOIS NATIONAL INSURANCE COMPANY (NAIC #23817)	)

ORDER OF THE DIRECTOR

NOW, on this 9th day of May, 2014, Director John M. Huff, after consideration and review of the Stipulation of Settlement by and between the Division of Insurance Company Regulation (hereinafter referred to as the "Division") and National Union Fire Insurance Company of Vermont (NAIC #11562) (hereinafter referred to as "NUFIC VT"), National Union Fire Insurance Company of Pittsburgh, PA (NAIC #19445) (hereinafter referred to as "NUFIC PA"), and Illinois National Insurance Company (NAIC #23817) (hereinafter referred to as "INIC"), issues this order pursuant to § 374.046.15 RSMo (Supp. 2013). This order is in the public interest.

IT IS THEREFORE ORDERED that NUFIC VT, NUFIC PA, INIC, and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that NUFIC VT shall file a Self-Procured Insurance Tax Report reflecting the $1,661,1000 of previously unreported net premium, pursuant to item B.1 of the Stipulation of Settlement.

IT IS FURTHER ORDERED that NUFIC VT shall refrain from conducting any unauthorized insurance business in the State of Missouri.

IT IS FURTHER ORDERED that NUFIC VT shall send to the Missouri Department of Revenue a check in the sum of $114,454.35, pursuant to items B.1 to B.4 of the Stipulation of Settlement.

IT IS FURTHER ORDERED that NUFIC PA shall refile its 2011 premium tax return pursuant to item C.1 of the Stipulation of Settlement.

IT IS FURTHER ORDERED that NUFIC PA shall refile its 2012 premium tax return, pursuant to item C.3 of the Stipulation of Settlement.

IT IS FURTHER ORDERED that NUFIC PA shall send to the Missouri Department of Revenue a check in the sum of $1,046.72, pursuant to items C.1 to C.5 of the Stipulation of Settlement.

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 9th day of May, 2014.

John M. Huff
Director

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

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STIPULATION OF SETTLEMENT

It is hereby stipulated and agreed by the Division of Insurance Company Regulation (hereinafter referred to as the "Division") and National Union Fire Insurance Company of Vermont (NAIC #11562) (hereinafter referred to as "NUFIC VT"), National Union Fire Insurance Company of Pittsburgh, PA (NAIC #19445) (hereinafter referred to as "NUFIC PA"), and Illinois National Insurance Company (NAIC #23817) (hereinafter referred to as "INIC") 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;

WHEREAS, NUFIC VT is an insurance company domiciled outside of Missouri which is not admitted to conduct the business of insurance in Missouri;

WHEREAS, NUFIC PA and INIC are insurance companies domiciled outside of Missouri admitted to conduct the business of insurance in Missouri;

WHEREAS, counsel for NUFIC VT, NUFIC PA, and INIC (hereinafter collectively referred to as the "Companies") contacted the Missouri Department of Revenue by letter dated August 14, 2013, to disclose the results of an internal review and propose a settlement;

WHEREAS, the August 14, 2013 letter and subsequent communications (hereinafter collectively referred to as the "Premium Tax Self-Report") revealed the following:

1. In 2005, NUFIC VT missourced $4,421,106 of premium on a policy to a state other than Missouri;

2. In 2008, NUFIC VT refunded $2,760,000 of the missourced premium;

3. In 2011, NUFIC PA missourced $49,802 of premium on a policy to a state other than Missouri;

4. In 2012, NUFIC PA missourced $56 of premium on a policy to a state other than Missouri;

5. NUFIC VT was not admitted to write insurance business in Missouri at any time relevant to the issues raised by the Premium Tax Self-Report; and

6. NUFIC PA was admitted to write insurance business in Missouri at all times relevant to the issues raised by the Premium Tax Self-Report.

WHEREAS, Missouri law levies a premium tax of two percent of direct premiums received on foreign companies pursuant to § 148.340, RSMo;

WHEREAS, Missouri law levies a premium tax of five percent of the gross premium on surplus lines insurance companies pursuant to §§ 384.051 and 384.059, RSMo;

WHEREAS, in consideration of the underlying facts and the Companies having brought such facts to the attention of the Division, the Division, NUFIC VT, NUFIC PA, and INIC have agreed to resolve the issues raised by the Premium Tax Self-Report as follows:

A. **Scope of Agreement.** This Stipulation of Settlement 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 – NUFIC VT.**

1. NUFIC VT agrees to file a Self-Procured Insurance Tax Report reflecting the $1,661,100 of previously unreported net premium; provided, however, that NUFIC VT and the Division agree that NUFIC VT will not include the name or FEIN of any insured on the form, and that the Self-Procured Insurance Tax Report is being submitted solely to report the underreported premium on which tax is owed by NUFIC VT pursuant to this Stipulation of Settlement;

2. NUFIC VT agrees to pay a five percent premium tax of $83,055 on the previously

unreported net premium;

3. NUFIC VT agrees to pay interest of $30,568.80 for the time period of April 17, 2006, through August 14, 2013, pursuant to §§ 32.065 and 384.054, RSMo;

4. NUFIC VT agrees to pay a penalty of one percent of the premium tax due, $830.55, pursuant to § 384.054, RSMo;

5. NUFIC VT agrees to refrain from conducting any unauthorized insurance business in the State of Missouri; and

6. NUFIC VT agrees to send a check in the sum of $114,454.35, pursuant to items B.1. to B.4., made out to "Missouri Department of Revenue," to the Missouri Department of Revenue, P.O. Box 898, Jefferson City, MO 65105-0898.

C. **Remedial Action – NUFIC PA.**

1. NUFIC PA agrees to refile its 2011 premium tax return and pay an additional $996 in premium tax;

2. NUFIC PA agrees to pay interest of $39.62 on its unpaid 2011 premium tax for the time period of April 17, 2012, through August 14, 2013, pursuant to §§ 32.065 and 384.054, RSMo;

3. NUFIC PA agrees to refile its 2012 premium tax return and pay an additional $1.12 in premium tax;

4. NUFIC PA agrees to pay interest of $0.01 on its unpaid 2012 premium tax for the time period of April 15, 2013, through August 14, 2013, pursuant to §§ 32.065 and 384.054, RSMo;

5. NUFIC PA agrees to pay a penalty of one percent of the premium tax due, $9.97, pursuant to § 384.054, RSMo; and

6. NUFIC PA agrees to send a check in the sum of $1,046.72, pursuant to items C.1. to C.5., made out to "Missouri Department of Revenue," to the Missouri Department of Revenue, P.O. Box 898, Jefferson City, MO 65105-0898.

D. **Remedial Action – INIC.** Based on the Companies' representations in the Premium Tax Self-Report, INIC shall not be required to undertake any remedial action.

E. **Premium Tax Overpayment.** Except as provided in this Stipulation of Settlement, the Companies agree not to seek a refund of any overpayment of premium tax related to the Premium Tax Self-Report.

F. **Other Penalties.** The Division agrees that it will not impose any additional tax, interest, or penalties related solely to the Premium Tax Self-Report beyond those which are imposed in this Stipulation of Settlement.

G. **Other Proceedings.** The Division agrees that so long as the Companies fully comply with this Stipulation of Settlement, it will not institute any regulatory, civil, or criminal proceeding based solely on the Premium Tax Self-Report.

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

I. **Governing Law.** This Stipulation of Settlement 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.

K. **Effect of Stipulation.** This Stipulation of Settlement 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 of Settlement.

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

DATED: 5/6/14

Kelly Hopper, Legal Counsel
Division of Insurance Company Regulation

DATED: 4/25/14

Josephine B. Lowman, Vice President
National Union Fire Insurance Company of Vermont

DATED: 4/25/14

Josephine B. Lowman, Vice President
National Union Fire Insurance Company of Pittsburgh, PA

DATED: 4/25/14

Josephine B. Lowman, Vice President
Illinois National Insurance Company