



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

IN RE:)
)
CORNERSTONE NATIONAL) **Case No. 2410160634F**
INSURANCE COMPANY)

ORDER TO CORRECT

Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance (“Director” of the “Department”), after review of the petition and exhibits, enters an Order to Correct, as follows:

1. Cornerstone National Insurance Company (“Cornerstone”) is a domestic insurer transacting insurance business in this state. It is a stock property and casualty insurance company organized and operating under chapter 379 RSMo.¹
2. On July 9, 2024, the Director entered a Notice and Order of Administrative Supervision with respect to Cornerstone, placing Cornerstone under administrative supervision.
3. Among other prohibitions, the Notice and Order of Administrative Supervision prohibits Cornerstone from renewing any policies or writing any new or renewal business without the prior approval of the Director or the appointed supervisor.
4. On July 12, 2024, Cornerstone requested approval to continue renewing certain insurance policies, including insurance policies in Missouri.
5. On July 12, 2024, the administrative supervisor approved Cornerstone’s renewal plan.
6. On September 5, 2024, Cornerstone provided financial statements to the Department. The financial statements showed that Cornerstone’s surplus as regards policyholders as of July 31, 2024, was \$2,748,351, a \$2,224,667 decrease from December 31, 2023. Because Cornerstone maintains paid in capital of \$2,500,000, this means Cornerstone’s surplus was \$248,351 as of July 31, 2024.

¹ All statutory references are to the Revised Statutes of Missouri (2016) unless otherwise indicated.

7. Section 379.010.2 prohibits a stock company from making insurance on more than one of the classes of insurance in section 379.010.1 unless the company has and maintains a surplus of not less than \$1,200,000.

8. Cornerstone makes insurance in Missouri on more than one of the classes of insurance in section 379.010.1.

9. On September 6, 2024, the administrative supervisor notified Cornerstone that, because of the surplus deficit and the prohibition in section 379.010.2,

the administrative supervisors' prior approval of Cornerstone's plan to continue renewing certain policies no longer applies to Cornerstone's Missouri business as follows: Unless this surplus shortfall is cured before September 30th, which should provide sufficient time for Cornerstone to present a new reinsurance program to the supervisors for approval based on your email below, Cornerstone shall not renew any Missouri policies or write any new or renewal Missouri business without the prior approval of the Director or administrative supervisor. The nonrenewal process will need to conform with Section 379.118, which requires 30 days prior notice for nonrenewal of the automobile policies.

10. Cornerstone calculated that, as of July 31, 2024, its reinsurer, Patrons Mutual Fire Insurance Company ("Patrons"), had failed to contribute collateral to trust accounts as required in the amount of \$1,908,166.

11. On September 30, 2024, Cornerstone requested a permitted accounting practice that, if approved, would have allowed Cornerstone to "[e]lect[] to not record a provision for reinsurance liability in accordance with SSAP 62R paragraph 77."

12. Cornerstone's surplus shortfall was not cured before September 30, 2024.

13. On October 3, 2024, Cornerstone notified the Department that it would commence sending nonrenewal notices on Missouri policies renewing on or after December 1, 2024.

14. The October 3, 2024 notification did not request the approval of the administrative supervisor or the Director, and Cornerstone has not otherwise requested the administrative supervisor's or the Director's prior approval to renew any Missouri policies between September 30, 2024, and December 1, 2024.

15. Cornerstone has renewed Missouri policies and written renewal business in Missouri after September 30, 2024, without the prior approval of the Director or the administrative supervisor.

16. Cornerstone provided a financial statement to the Department prepared as of August 31, 2024. The financial statement showed a surplus of \$2,429,254. However, the financial statement was prepared assuming the Director would grant the permitted accounting practice requested by Cornerstone. The financial statement did not accurately state Cornerstone's surplus or its financial condition in all respects.

17. On October 11, 2024, the Commissioner of the Indiana Department of Insurance entered an Order of Compliance with respect to Patrons. Among other things, the Commissioner found that Patrons did not have the funds or assets available for the payment of reinsurance losses and claims, did not have the financial capacity to engage in reinsurance agreements or fund reinsurance trust accounts, and that Patrons' engagement in reinsurance was contrary to law, unsafe, and unauthorized. The Commissioner ordered that Patrons "shall not hold itself out to possess the authority to provide reinsurance outside the State of Indiana," "shall not hold itself out to possess adequate funds or assets available for the payment of reinsurance losses and claims," and that Patrons must stop writing reinsurance within or outside Indiana.

18. Patrons is threatened with insolvency and is delinquent in payment of its monetary or other obligations, which affects the solvency of Cornerstone.

19. Patrons is not able to perform as a reinsurer, and Cornerstone's reinsurance program does not provide sufficient protection for the insurer's remaining surplus.

20. On October 11, 2024, the Director denied the permitted accounting practice requested by Cornerstone.

21. On October 11, 2024, Cornerstone provided to the Department its calculation that, as of September 30, 2024, the amount that Patrons had underfunded the trust accounts had increased from \$1,908,166 to \$2,862,834, although Cornerstone later reduced that amount to \$2,242,761.

22. Patrons cannot, and for the foreseeable future will not be able to, fund the trust accounts as required under its reinsurance contracts with Cornerstone.

23. Other state insurance departments have restricted Cornerstone from making insurance because of Cornerstone's financial condition, as follows:

- a. On April 29, 2024, the Virginia State Corporation Commission issued an Impairment Order that, among other things, prohibited Cornerstone from

issuing new contracts or policies of insurance until further order of the Commission; and

- b. On October 11, 2024, the Commissioner of the Tennessee Department of Commerce and Insurance suspended Cornerstone's certificate of authority for two years because Cornerstone was in hazardous financial condition.

24. The Director has reasonable cause to believe, and determines, that Cornerstone's continued operation is hazardous to policyholders, creditors, and the general public.

25. The Director has reasonable cause to believe, and determines, that Cornerstone has and maintains a surplus of less than \$1,200,000.

26. The Director has reasonable cause to believe, and determines, that Cornerstone has made insurance and is continuing to make insurance, or is about to make insurance, while having and maintaining a surplus of less than \$1,200,000, in violation of section 379.010.2.

27. The Director has reasonable cause to believe, and determines, that Cornerstone has renewed policies and written renewal business and is continuing to renew policies and write renewal business, or is about to renew policies and write renewal business, without the prior approval of the Director or the appointed supervisor, in violation of the Notice and Order of Administrative Supervision and section 375.1160.4(8) and (11).

28. This Order is not intended to be, and shall not be construed as, an approval of, or a waiver regarding, any insurance made by Cornerstone in violation of section 379.010.2 or any policies renewed or renewal business written by Cornerstone in violation of the Notice and Order of Administrative Supervision.

29. Based on the foregoing, it is in the best interest of the public, and in the best interest of Cornerstone's insureds and creditors, that this Order to Correct should be made public so that Cornerstone's insureds and creditors, and members of the public, can know of Cornerstone's financial condition and the Department's action.

IT IS THEREFORE ORDERED under section 375.1162 that Cornerstone comply with the following:

30. Cornerstone shall not write any new Missouri policies or any new Missouri business.

31. Cornerstone shall nonrenew all Missouri policies with expiration dates on or after November 30, 2024.

32. Cornerstone shall comply with section 379.118 RSMo Supp. 2023 with respect to all Missouri nonrenewals.

IT IS FURTHER ORDERED under section 375.1160.3(4) that this Order to Correct shall be made public.

SO ORDERED.

WITNESS MY HAND THIS 24th DAY OF October, 2024.



Chlora Lindley-Myers

CHLORA LINDLEY-MYERS
DIRECTOR

CERTIFICATE OF SERVICE

I certify that on this 24th day of October, 2024, a copy of the foregoing Order to Correct was sent to Cornerstone National Insurance Company by certified mail, using the following addresses:

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