



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

In Re:)
)
ACORD CORPORATION) **Market Conduct Examination**
) **No. 353220**

ORDER OF THE DIRECTOR

NOW, on this 02nd day of June, 2021, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of ACORD Corporation (hereinafter “ACORD”), examination report no. 353220, prepared and submitted by the Division of Insurance Market Regulation (hereinafter “Division”) pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement (“Stipulation”), relating to the market conduct examination no. 353220, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director’s findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4) and §374.046.15. RSMo, is in the public interest.

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

IT IS FURTHER ORDERED that ACORD shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended or to the Code of State Regulations, 2020, as amended.

of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all 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 02nd day of June, 2021.



Chlora Lindley-Myers
Chlora Lindley-Myers
Director

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

In Re:)
)
ACORD CORPORATION) **Market Conduct Examination**
) **No. 353220**

STIPULATION OF SETTLEMENT

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and ACORD Corporation (hereinafter “ACORD”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (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 of Missouri;

WHEREAS, ACORD operates as an advisory organization in the State of Missouri pursuant to §379.328¹ and as a rating organization pursuant to §379.435;

WHEREAS, the Division conducted a market conduct examination of ACORD, examination #353220; and

WHEREAS, based on the market conduct examination of ACORD, the Division alleges that:

1. ACORD did not file 30 forms that were available for use by members in violation of §§379.321.6 & .7 and 20 CSR 100-9.100 (2) (J).
2. The audits of ACORD’s control process and procedure conducted in 2018 and 2020 did not include a review of the operational effectiveness of controls, processes and procedures.
3. ACORD did not promptly notify the Director of the Department (hereinafter

¹All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended or to the Code of State Regulations, 2020, as amended. .

“Director”) of every change in membership during 2017 and 2018 in violation of §379.445.

WHEREAS, ACORD does not agree with certain findings in the market conduct examination and denies that it has violated any Missouri law or regulation, and ACORD is of the position that this Stipulation of Settlement (hereinafter “Stipulation”) is a compromise of disputed facts and legal allegations and that the signing of this Stipulation and ACORD’s consent to take the remedial actions required by it does not constitute an admission of wrongdoing or liability on its part and is done merely to fully and completely resolve the market conduct examination and avoid litigation.

WHEREAS, the Division and ACORD have agreed to resolve the issues raised in the market conduct examination 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.** ACORD agrees to take remedial action to reasonably ensure that the errors noted in the market conduct examination and in this Stipulation do not recur. Such remedial actions shall consist of the following:

1. ACORD agrees to file all Property and Casualty forms as defined by 20 CSR 100-9.100 (2) (J) available for use by members in Missouri with the Director through the System for Electronic Rate and Form Filing (“SERFF”), within 60 days from the date of the Order approving this Stipulation. The SERFF filing will include a statement indicating that “as a result of a Missouri market conduct examination, the attached forms are being filed with the Department.”

2. ACORD agrees to submit its membership lists to the Department on a monthly basis beginning on July 1, 2021. No submission needs to be made for any month in which there are no membership changes.

C. **Compliance.** ACORD agrees to file documentation with the Division, in a format acceptable to the Division, within 60 days of the entry of a final order of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation. Such documentation is provided pursuant to §374.205.

D. **Ongoing Examination.** ACORD agrees to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by ACORD pursuant to Paragraph C of this Stipulation.

E. **Penalties.** The Division agrees that it will not seek penalties against ACORD in connection with this market conduct examination.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by ACORD, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above-referenced market conduct examination.

G. **Waivers.** ACORD, 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 representatives of the Division and ACORD.

I. **Governing Law.** This Stipulation 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, on behalf of the Division and ACORD respectively.

K. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution and delivery of this Stipulation by facsimile or by an electronically transmitted signature shall be fully and legally effective and binding.

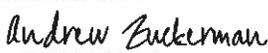
L. **Effect of Stipulation.** This Stipulation shall become effective only upon entry of a Final Order by the Director approving this Stipulation.

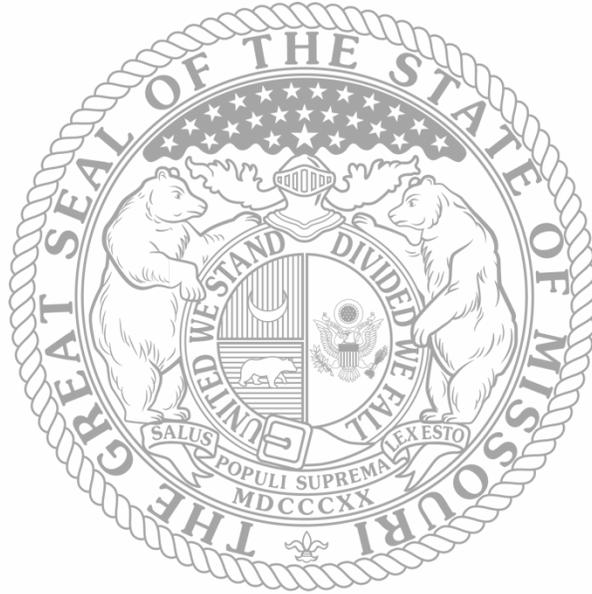
M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 5/24/2021


Stewart Freilich
Chief Market Conduct Examiner and
Senior Counsel
Division of Insurance Market Regulation

DATED: 5/24/2021

DocuSigned by:

08FA44FF28AA469
Andrew Zuckerman
SVP and General Counsel
ACORD Corporation



FINAL MARKET CONDUCT EXAMINATION REPORT

ACORD Corporation

MISSOURI SBS EXAMINATION # 353220

May 24, 2021

**Home Office
1 Blue Hill Plaza, 2nd Floor
Pearl River, NY 10965**

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

FOREWORD.....	3
SCOPE OF EXAMINATION.....	3
COMPANY PROFILE.....	4
EXECUTIVE SUMMARY	4
EXAMINATION FINDINGS	5
I. OPERATIONS/MANAGEMENT/GOVERNANCE.....	5
II. STATISTICAL PLANS	8
III. CORRESPONDENCE WITH INSURERS AND STATES.....	8
IV. DATA COLLECTION AND HANDLING	8
V. REPORTS, REPORT SYSTEMS AND OTHER DATA REQUESTS	9
VI. CLASSIFICATION AND APPEAL HANDLING	9
VII. RATEMAKING FUNCTIONS	9
VIII. INSPECTION SERVICES	9
IX. FORMS DEVELOPMENT.....	9
X. CRITICISMS AND FORMAL REQUESTS TIME STUDY	10
EXAMINATION REPORT SUBMISSION.....	12

May 24, 2021

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your market conduct examination warrant, a targeted market conduct examination has been conducted of the specified business practices of

ACORD Corporation

hereinafter referred to as ACORD or as the Company. This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI).

FOREWORD

This examination report is a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DCI.

During this examination, the examiners cited errors considered potential violations made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- “Company” or “ACORD” refers to ACORD Corporation
- “CSR” refers to the Missouri Code of State Regulation
- “DCI” refers to the Missouri Department of Commerce and Insurance
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance
- “NAIC” refers to the National Association of Insurance Commissioners
- “RSMo” refers to the Revised Statutes of Missouri

SCOPE OF EXAMINATION

The DCI has authority to conduct this examination pursuant to, but not limited to, §§374.110, 379.343, 379.475, 374.205, RSMo, and conducted in accordance with section 379.475.3, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DCI regulations. The primary period covered by this review is January 1, 2017 through December 31, 2019, unless otherwise noted. Errors found outside of this time period may also be included in the report.

The examination was a targeted examination involving the following business functions:

- Advisory Organization Operations/Management/Governance
- Statistical Plans
- Correspondence with Insurers and States
- Data Collection and Handling
- Reports, Report Systems and Other Data Requests
- Classification and Appeal Handling; Ratemaking Functions
- Inspection Services
- Form Development

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products, and files. Therefore, some noncompliant practices, procedures, products, and files may not have been found. As such, this report may not fully reflect all of the practices and procedures of the Company.

COMPANY PROFILE

ACORD (Association for Cooperative Operations Research and Development) is the global standards-setting body for the insurance and related financial services industries. ACORD facilitates fast, accurate data exchange, and efficient workflows through the development of electronic standards, standardized forms, and tools to support their use. ACORD members worldwide include hundreds of insurance and reinsurance companies, agents and brokers, software providers, financial services organizations and industry associations. ACORD maintains offices in New York and London. Since 1970, ACORD has been an industry leader in identifying ways to help its members make improvements across the insurance value chain. Implementing ACORD Standards improves data quality and flow, increase efficiency, and realize billion-dollar savings to the global insurance industry. ACORD engages more than 36,000 participating organizations spanning 100 countries, including insurance and reinsurance companies, agents and brokers, software providers, financial services organizations and industry associations. With the tools and resources provided by ACORD, our members are equipped to address current business and technology imperatives while influencing and shaping the future.

EXECUTIVE SUMMARY

The DCI conducted a targeted market conduct examination of ACORD Corporation. The examiners found the following areas of concern:

OPERATIONS/MANAGEMENT/GOVERNANCE

- The Company failed to file 30 forms that were available for use by members during the examination period. Reference: §379.321, RSMo., and 20 CSR 100-9.100

- The Company does not audit the operational effectiveness of controls, processes and procedures. Reference: NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance: Standard 11
- The Company failed to promptly notify the Director of every change in membership as required. Reference: §379.445, RSMo.

EXAMINATION FINDINGS

I. ADVISORY ORGANIZATION OPERATIONS/MANAGEMENT/GOVERNANCE

The operations/management/governance portion of the examination provides a review of how the Company manages its operations.

A. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 1: **The advisory organization has implemented written policies and procedures to prevent anti-competitive practices in the insurance marketplace, as related to the advisory organization’s services and communications to insurers.**

To test for this standard, the examiners requested and reviewed service agreements with insurers, board of directors and other committee meeting minutes, employee training materials, and policies and procedures applicable to anti-competitive practices to determine if the organization provides guidance to its staff and has adopted practices to prevent anti-competitive activity.

No concerns were found in this review.

B. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 3: **The advisory organization prepares, submits filings as necessary, adheres to applicable state filing and/or approval requirements and written procedures prior to distribution of prospective loss costs, policy forms, endorsements, factors, classifications or rating rule manuals.**

To test for this standard, the examiners requested and reviewed the organization’s policies and procedures manual relating to filings, a list of forms filed by System for Electronic Rate and Form Filing (“SERFF”) tracking number, communications and manuals provided to its members and subscribers, and distributed prospective loss costs, policy forms, endorsements, factors, classifications or manuals.

Finding 1: The Company failed to file 30 forms that were available for use by members during the examination period.

Reference: §379.321, RSMo., and 20 CSR 100-9.100

C. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 8: The advisory organization conducts ongoing research and review of state insurance laws and insurance related case law in order to be responsive to necessary changes in prospective loss costs, policy forms, endorsements, factors, classifications or manuals, as applicable.

To test for this standard, the examiners requested and reviewed the Company's processes and procedures for researching insurance laws and case law in order to make appropriate modifications, additions, deletions or withdrawals as necessitated, and making applicable filings and notifications to members and subscribers.

No concerns were found in this review.

D. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 11: The advisory organization has an up to date, valid internal or external audit program.

To test for this standard, the examiners requested and reviewed the organization's audit plan, procedural manuals, audit reports and results for the examination timeframe to determine if and how management is using the reports, if the organization responds to audit recommendations, and if the audit program includes the testing of the accuracy of information systems.

Finding 1: Audits were conducted in 2018 and 2020 by an external auditing firm and were audits of the Company's controls processes and procedures, but did not include a review of the operational effectiveness of controls, processes and procedures. No other audit reports were available from the Company.

Reference: NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance: Standard 11

E. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 12: The advisory organization has appropriate controls, safeguards and procedures for protecting the integrity of computer information

To test for this standard, the examiners requested and reviewed the organization's electronic records control and procedural manuals, and any outside contracts to determine if the organization has adequate physical security procedures related to the computer processing facilities and the network, and logical security and computer system control procedures. The examiners also reviewed the segregation of duties between application development, operations, and user departments to ensure information system projects are authorized, controlled and documented.

No concerns were found in this review.

F. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 13: The advisory organization has a valid disaster recovery plan.

To test for this standard, the examiners requested and reviewed the organization’s disaster recovery plan, procedural manuals and controls, and outside contracts to ensure that critical business applications, databases and files are regularly backed up and stored off-site.

No concerns were found in this review.

G. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 14: The advisory organization is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the advisory organization.

To test for this standard, the examiners requested and reviewed the Company’s contracts.

No concerns were found in this review.

H. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 15: Records are adequate, assessable, consistent and orderly and comply with state record retention requirements.

To test for this standard, the examiners requested and reviewed the organizations record retention policy to determine if it complies with Missouri record retention requirements. The examiners determined compliance with record retentions requirements based on the responses the organization provided through the examination process.

No concerns were found in this review.

I. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 16: The advisory organization is appropriately licensed.

To test for this standard, the examiners requested and reviewed the Company’s license for its authority to act as an advisory organization and rating organization.

Finding 1: ACORD failed to promptly notify the Director of every change in membership as required. For the examination period, ACORD provided its membership list in 2019 for renewal of its license. However, the Company did not notify the Director of membership changes in 2017 and 2018.

Reference: §379.445, RSMo.

J. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 17: The advisory organization cooperates on a timely basis with examiners performing the examinations.

To test for this standard, the examiners documented the Company's responsiveness to requests for information during the examination.

No concerns were found in this review.

K. NAIC Market Regulation Handbook Chapter 29 – Advisory Organizations Operations/Management/Governance Standard 18: The advisory organization has developed and implemented written policies, standards and procedures for the management of insurance information.

To test this standard, the examiners requested and reviewed the Company's procedural and training manuals, audit reports, bulletins/memos regarding insurance information, and outside contracts to determine if the organization has set standards for handling, disclosing, storing and disposing of insurance information and whether it complies with state law.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company's business.

II. STATISTICAL PLANS

The purpose of this portion of the examination is to verify the statistical agent maintains adequate statistical plans in accordance with Missouri law, and that the data are reported in accordance with the statistical plans. It is also intended to measure a statistical agent's compliance with statistical plan filing requirements.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company's business.

III. CORRESPONDENCE WITH INSURERS AND STATES

The purpose of this portion of the examination is to verify the statistical agent promptly notifies the insurer and state regulators when a problem with the data is found, and then follow-up, if the insurer does not respond timely.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company's business.

IV. DATA COLLECTION AND HANDLING

The purpose of this portion of the examination is to verify that the statistical agent adequately test reported data for validity, completeness and reasonableness.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company's business.

V. REPORTS, REPORT SYSTEMS AND OTHER DATA REQUESTS

The purpose of this portion of the examination is to review the statistical agent's reports and internal procedures for preparing reports and responding to data requests, including a review for timeliness and quality of the response.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company's business.

VI. CLASSIFICATION AND APPEAL HANDLING

The purpose of this portion of the examination is to review the Company's classification and appeal processes.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company's business.

VII. RATEMAKING FUNCTIONS

The purpose of this portion of the examination is to review the advisory organization's ratemaking, reports and reporting systems, if any, as well as the advisory organization's internal procedures for preparing related reports and responding to data requests, including the timeliness and quality of the response.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company's business.

VIII. INSPECTION SERVICES

The purpose of the portion of the examination is to review the Company's processes for ensuring proper classification of risks that are subject to inspection and that the results of the inspection are provided to carriers and insureds.

After an initial review of documents provided by the Company, it was determined that this review area is not applicable to the Company's business.

IX. FORMS DEVELOPMENT

The forms development portion of the examination provides a review of the Company's processes for development, maintenance and filing of forms for insurance programs.

A. NAIC Market Regulation Handbook Chapter 29 – Forms Development Standard 1: The advisory organization has processes in place to identify and provide subscribers with necessary changes (by virtue of changes in state law or case law) to advisory forms.

To test for this standard, the examiners requested and reviewed the Company’s procedures for communicating changes to forms and communicating with subscribers relating to changes to determine if the organization has a process and utilizes it.

No concerns were found in this review.

B. NAIC Market Regulation Handbook Chapter 29 – Forms Development Standard 2: The advisory organization has quality assurance processes in place to review submissions of forms prior to filing or submitting to the applicable state.

To test for this standard, the examiners requested and reviewed the organizations procedural information for developing forms.

No concerns were found in this review.

X. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri statutes and regulations require companies to respond to criticisms and formal requests within ten calendar days. In the event an extension of time was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the subsequent time frame. If the response was not received within the allotted time, the response was not considered timely.

A. Criticism Time Study

Number of Calendar Days to Respond	Number of Criticisms	Percentage of Total
0 to 10 days	2	67%
Over 10 days with extension	1	33%
Over 10 days without extension or after extension due date	0	0%
Totals	3	100%

The examiners found no errors in this review.

B. Formal Request Time Study

Number of Calendar Days to Respond	Number of Requests	Percentage of Total
0 to 10 days	6	46%
Over 10 days with extension	7	54%
Over 10 days without extension or after extension due date	0	0%
Totals	13	100%

The examiners found no errors in this review.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of ACORD Corporation, Examination Number #353220. This examination was conducted by Julie Hesser, CIE, CPCU, MCM, EIC; Jon Meyer, CIE, and Dana Whaley, AIE. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated February 26, 2021. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval.



Stewart Freilich
Chief Market Conduct Examiner

5-24-2021

Date