

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

In Re:)
)
U.S. SPECIALTY INSURANCE COMPANY) **Market Conduct Investigation No. 317713**
(NAIC #29599))

ORDER OF THE DIRECTOR

NOW, on this 06th day of January, 2021, Director, Chlora Lindley-Myers, after consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (hereinafter “Stipulation”) entered into by the Division of Insurance Market Regulation (hereinafter “Division”), and U.S. Specialty Insurance Company (NAIC #29599) (hereinafter “U.S. Specialty”), relating to the market conduct investigation no. 317713, does hereby issue the following orders:

This order, issued pursuant to §374.046.15¹ and §374.280 is in the public interest.

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

IT IS FURTHER ORDERED that U.S. Specialty 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 of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that U.S. Specialty shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$1,000.00, payable to the Missouri State School Fund.

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 06th day of January, 2021.



Chlora Lindley-Myers
Chlora Lindley-Myers
Director

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended.

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

In Re:)
)
U.S. SPECIALTY INSURANCE COMPANY) Market Conduct Investigation No. 317713
(NAIC #29599))

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter, the “Division”), and U.S. Specialty Insurance Company (NAIC #29599) (hereinafter “U.S. Specialty”), 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; and

WHEREAS, U.S. Specialty has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct investigation of U.S. Specialty, investigation no. 317713;

WHEREAS, based on the market conduct investigation of U.S. Specialty, the Division alleges that:

1. U.S. Specialty did not file forms for commercial casualty aircraft policies issued to Missouri risks in violation of §379.321.6(7)¹.
2. U.S. Specialty rated and issued 29 commercial casualty aircraft policies applying base rate modification factors that exceeded +/- 25% in violation of §379.318(4), §379.321.6(10), and 20 CSR 500-4.100(7)(A).

WHEREAS, the Division, and U.S. Specialty have agreed to resolve the issues raised in the market conduct investigation 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.** U.S. Specialty agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those remedial actions at all times. Such remedial actions shall include, but are not limited to, the following:

1. U.S. Specialty agrees, to the extent it has not already done so, to timely file all forms for commercial casualty aircraft policies sold or solicited to Missouri risks with the Director of the Department (hereinafter “Director”). The System for Electronic Rate and Form Filing (“SERFF”) filing will include a statement indicating that “as a result of a Missouri market conduct investigation, the attached forms are being filed for approval by the director.”

2. U.S. Specialty agrees, to the extent it has not already done so, to provide a premium refund to the 23 commercial casualty aircraft policies, identified in the investigation findings, that were rated and issued a policy using scheduled rating/base rate modification factors that exceeded +25%. A letter must be included with the payments indicating that “as a result of a Missouri market conduct investigation,” it was found that a premium refund was owed.

3. U.S. Specialty agrees to conduct a review of all commercial casualty aircraft policies from January 1, 2019 to the date of the Order approving this Stipulation to determine if policies were rated using scheduled rating/base rate modification factors that exceeded +25%. If additional

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payments are owed, U.S. Specialty agrees it will make such premium refunds to those policyholders. A letter must be included with the payments indicating that “as a result of a Missouri market conduct investigation,” it was found that a premium refund was owed.

4. U.S. Specialty agrees that for any new or renewed commercial casualty aircraft policies rated and issued using schedule rating and/or individual risk premium modification plans (“IRPM”), it will comply with the limitation of +/- 25% as required under 20 CSR 500-4.100(7)(A).

C. **Compliance.** U.S. Specialty 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 to implement compliance with the terms of this Stipulation and to document the payment of any restitution required by this Stipulation. Such documentation is provided pursuant to §374.190.

D. **Voluntary Forfeiture.** U.S. Specialty agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$1,000.00 such sum payable to the Missouri State School Fund, in accordance with §374.049.11 and §374.280.2.

E. **Other Penalties.** The Division agrees that it will not seek penalties against U.S. Specialty, other than those agreed to in this Stipulation, in connection with the above referenced market conduct investigation.

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

G. **Waivers.** U.S. Specialty 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 market conduct investigation no. 317713.

H. **Changes.** No changes to this Stipulation shall be effective unless made in writing and

agreed to by representatives of the Division and U.S. Specialty.

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 U.S. Specialty 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 by facsimile or by electronically transmitted signature shall be fully and legally effective and binding.

L. **Effect of Stipulation.** This Stipulation shall not become effective until entry of a Final Order by the Director approving this Stipulation.

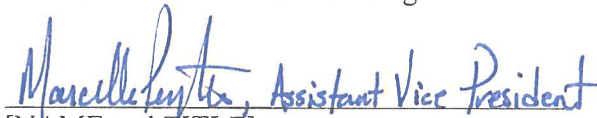
M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 01-05-2021



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

DATED: 12/15/2020



[NAME and TITLE]
U.S. Specialty Insurance Company