

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN RE:)	
HOMESITE INSURANCE COMPANY)	
OF THE MIDWEST)	DOCKET NO. 20-019-I
NAIC # 13927 and)	
HOMESITE INSURANCE COMPANY)	
NAIC # 17221)	
)	

STIPULATION AND CONSENT ORDER

WHEREAS, the Vermont Department of Financial Regulation (“the Department”) asserts that Homesite Insurance Company of the Midwest and Homesite Insurance Company (“Respondents”) has violated the insurance laws as set forth below; and

WHEREAS, Respondents and the Department wish to resolve these violations without further administrative proceedings or litigation;

NOW, THEREFORE, Respondents and the Department stipulate and agree to the terms and conditions in this Stipulation and Consent Order.

STATEMENT OF FACTS

1. Respondents are foreign property and casualty insurance companies with a shared principal place of business at One Federal Street, Suite 400, Boston, MA 02110.
2. Homesite Insurance Company of the Midwest’s NAIC number is 13927.
3. Homesite Insurance Company’s NAIC number is 17221.
4. Homesite Insurance Company of the Midwest and Homesite Insurance Company are subsidiaries of Homesite Group Incorporated.

5. At all times relevant to this matter, each Respondent held a license issued by the Insurance Division of the Department (“the Insurance Division”) pursuant to 8 V.S.A. § 3361 authorizing the Respondents to operate as insurers in the State of Vermont.
6. Following the Insurance Division’s review of Respondents’ 2018 Market Conduct Annual Statements, in a letter dated December 4, 2019, the Insurance Division requested that Respondents provide an explanation of, and records pertaining to, mid-term policy cancellations effective in 2018, including copies of the notices of cancellations and proofs of mailing.
7. Respondents provided the requested 2018 records in a timely fashion.
8. After reviewing the 2018 records, in an e-mail dated January 22, 2020, the Insurance Division requested that Respondents provide information and records concerning all mid-term cancellations effective in 2019 along with a copy of internal procedures that Respondents follow for cancellations and non-renewals.
9. The information provided by Respondents in response to the Insurance Division’s requests of December 4, 2019 and January 22, 2020 demonstrate that between November 9, 2017 and July 5, 2019, Respondents mailed 15 notices of cancellation to policyholders for policies that had, at the time of the notice, been in effect for 60 or more days and were canceled based on a substantial increase in hazard without the prior approval of the Commissioner of Financial Regulation (“the Commissioner”).
10. The information provided by Respondents in response to the Insurance Division’s requests of December 4, 2019 and January 22, 2020 also demonstrates that between November 9, 2017 and July 5, 2019, Respondents did not use certified mail to mail 16 notices of cancellation to

policyholders whose policies were cancelled for reasons other than the nonpayment of a premium.

11. In response to the Insurance Division's request of December 4, 2019, by letter dated January 10, 2019¹, Homesite Group, Incorporated indicated that it was working with its vendor to use certified mail for cancellation and non-renewal notices.
12. Respondents have cooperated with and been responsive to the Insurance Division's requests for information and records, have acknowledged that they engaged in statutory violations, and have implemented internal corrective actions to prevent future violations of the laws governing the cancellation of fire and casualty located in 8 V.S.A., Chapters 101 and 105.

LEGAL STANDARDS AND DESCRIPTION OF VIOLATIONS

13. The Commissioner is responsible for administering and enforcing the insurance laws of the State of Vermont and is authorized to investigate insurance companies to determine compliance with Vermont law and issue orders imposing remedial actions and administrative penalties, pursuant to 8 V.S.A. §§ 10-15, 3661, and 3885.
14. Pursuant to 8 V.S.A. § 3661, the Commissioner may impose a civil administrative penalty for each violation of Title 8, an administrative rule of the Department, or an order of the Commissioner relating to insurance, of up to \$1,000 per violation or \$10,000 per willful violation.
15. Pursuant to 8 V.S.A. § 3885, the Commissioner may impose a civil administrative penalty for each violation of §§ 3879-3884 of up to \$2,000 per violation.
16. Pursuant to 8 V.S.A. § 3879, cancellation of fire and casualty insurance policies must be mailed or delivered to policy holders less than 60 days following the policy's effective date,

¹ It appears that the year 2019 was a typographical error and should have been 2020.

unless the cancellation is based on the nonpayment of a premium, fraud or material misrepresentation, a violation of the terms or conditions of the policy, or a substantial increase in hazard.

17. Pursuant to 8 V.S.A. § 3879, the Commissioner's prior approval must be obtained prior to cancelling fire and casualty insurance policies based on a substantial increase in hazard when the notice will be mailed or delivered 60 or more days following the policy's effective date.
18. Pursuant to 8 V.S.A. § 3883, cancellation notices for fire and casualty insurance policies provided via mail must be sent using certified mail, unless the cancellation is for nonpayment of a premium.
19. By mailing 15 notices of cancellation to policyholders for policies that had, at the time of the notice, been in effect for 60 or more days and were canceled based on a substantial increase in hazard without the prior approval of the Commissioner, Respondents violated 8 V.S.A § 3879.
20. By failing to use certified mail to mail 16 notices of cancellation to policyholders whose policies were cancelled for reasons other than nonpayment of a premium, Respondents violated 8 V.S.A. § 3883.

CONSENT ORDER

21. Within 30 business days of the entry of this Stipulation and Consent Order by the Commissioner, Respondents shall pay an administrative penalty of \$ 31,000. Payment shall be made via check made payable to the "Department of Financial Regulation" and mailed to:

Attn: Tom Taylor
Department of Financial Regulation
Insurance Division
89 Main Street
Montpelier, VT 05620-3101

22. Each Respondent shall also implement the following corrective actions:

- a. Within 30 calendar days of the entry of this Stipulation and Consent Order by the Commissioner, each Respondent shall update its internal procedures, submit a copy of the updated procedures to the Insurance Division, concerning issuance of cancellations of property and casualty insurance policies in the State of Vermont to conform with the laws regulating the cancellation of fire and casualty policies located in 8 V.S.A., Chapters 101 and 105.
- b. As required by 8 V.S.A. § 3879, when cancelling fire and casualty insurance policies for reasons other than the nonpayment of a premium, fraud or material misrepresentation, a violation of the terms or conditions of the policy, or a substantial increase in hazard, each Respondent shall mail or deliver notices of cancellations to policy holders within 59 days following the policy's effective date.
- c. As required by 8 V.S.A. § 3883, when cancelling fire and casualty insurance policies for reasons other than the nonpayment of a premium, and when providing the notices of cancelation by mail, each Respondent shall use certified mail.
- d. As required by 8 V.S.A. § 3879, each Respondent shall not cancel any property or casualty insurance policy in the State of Vermont without the Commissioner's prior approval when the cancellations are based on a substantial increase in hazard and the notice of the cancellation is mailed or delivered 60 or more days following the policy's effective date.

23. Each Respondent acknowledges and admits the jurisdiction of the Commissioner over the subject matter of this Stipulation and Consent Order.

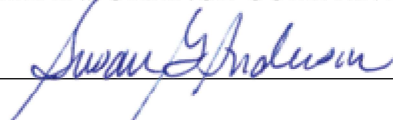
24. With respect to the facts and violations identified herein, each Respondent waives its rights to a hearing before the Commissioner or the Commissioner's designee and waives its right to all other administrative or judicial review otherwise available under Vermont law, including the rules of the Vermont Department of Financial Regulation and the provisions of 3 V.S.A., Chapter 25.
25. This Stipulation and Consent Order is entered into solely for the purpose of resolving the violations identified herein, and it is not intended for any other purpose.
26. Each Respondent understands all terms and conditions in this Stipulation and Consent Order, consents to the entry of this Stipulation and Consent Order, and acknowledges that its consent is given freely and voluntarily and that, except as set forth herein, no promise was made to induce Respondent's consent.
27. Noncompliance with any of the terms and conditions in this Stipulation and Consent Order shall be a violation of a lawful order of the Commissioner and a violation of the laws of the State of Vermont and may result in additional administrative or civil action and the imposition of injunctive relief, sanctions, and additional penalties pursuant to applicable provisions of Title 8.
28. Nothing herein shall be construed as limiting the Commissioner's ability to investigate Respondents for violations not resolved herein or to respond to and address any consumer complaints made with regard to Respondents.
29. Nothing herein shall be construed as having relieved, modified, or in any manner affected each Respondent's ongoing obligation to comply with all federal, state, or local statutes, rules, and regulations applicable to Respondent.
30. Nothing herein shall be construed as limiting any private right of action a person may have.

31. This Stipulation and Consent Order shall be governed by and construed under the laws of the State of Vermont.

SIGNATURES


The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated and agreed to. I state under oath that I have taken all necessary steps to obtain the authority to bind Respondent to this Stipulation and Consent Order and that I have been duly authorized to enter into this Stipulation and Consent Order on behalf of Homesite Insurance Company of the Midwest.

HOMESITE INSURANCE COMPANY OF THE MIDWEST

By:  May 27, 2020
Date
Printed name: Susan G. Anderson
Title: Vice President

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated and agreed to. I state under oath that I have taken all necessary steps to obtain the authority to bind Respondent to this Stipulation and Consent Order and that I have been duly authorized to enter into this Stipulation and Consent Order on behalf of Homesite Insurance Company.

HOMESITE INSURANCE COMPANY

By:  May 27, 2020
Date
Printed name: Susan G. Anderson
Title: Vice President

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated, agreed to, and ordered.

DEPARTMENT OF FINANCIAL REGULATION

By:  May 28, 2020
Date
Michael S. Pieciak
Commissioner of Financial Regulation
Vermont Department of Financial Regulation