

**BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF KANSAS**

In the Matter of Federal Insurance       )  
Company                                        )     Docket No. 3015-CO

**CONSENT ORDER**

Federal Insurance Company wishes to resolve this matter without formal adjudicative proceedings by entering into this consent order. The Commissioner of Insurance ("Commissioner") hereby makes the following findings of fact, conclusions of law, and order, to-wit:

**Findings of Fact**

1. Federal Insurance Company ("Federal") is a stock insurance company authorized to transact the business of insurance in the State of Kansas with its office located at Capital Center, 251 North Illinois, Suite 1100, Indianapolis, Indiana 46204, and is subject to the Kansas statutes regulating the business of insurance.
2. The Commissioner of Insurance ("the Commissioner") has jurisdiction over the subject matter of this proceeding, and this proceeding is held in the public interest.
3. On October 11, 1999, Federal issued a policy under the Customarq Classic Insurance Program to IMI Associates, LLC. A \$5,000 premium was due on the effective date of September 20, 1999.
4. On October 29, 1999, Federal notified the Commissioner that it had issued an individual risk policy. The company had not filed the policy with our department for prior approval.

5. In a letter to the Kansas Insurance Department ("KID"), Federal admitted that it had not submitted the policy for prior approval before issuing the policy. Federal also admitted that the policy was fundamentally different from the contract already on file with KID.

6. The policy issued to IMI Associates, LLC was approved and filed by KID on January 26, 2000, effective September 20, 1999.

### **Conclusions of Law**

7. K.S.A. 40-216(a) provides, in relevant part:

...No contract of insurance or indemnity shall be issued or delivered in this state until the form of the same has been filed with the commissioner of insurance gives written notice within 30 days of such filing, to the company proposing to issue such contract, showing wherein the form of such contract does not comply with the requirements of the laws of this state...

8. K.S.A. 40-2,125(a)(1) provides, in relevant part:

If the commissioner determines after notice and opportunity for a hearing that any person engaged or is engaging in any act or practice constituting a violation of any provision of Kansas insurance statutes or any rule and regulation or order thereunder, the commissioner may in the exercise of discretion, order... payment of a monetary penalty of not more than \$1,000 for each and every act or violation, unless the person knew or reasonably should have known such person was in violation of the Kansas insurance statutes or any rule and regulation or order thereunder, in which case the penalty shall be not more than \$2,000 for each and every violation.

9. K.S.A. 40-955(f) provides, in relevant part:

No insurer shall make or issue a contract or policy except in accordance with filings which have been filed or approved for such insurer as provided in this act.

10. K.S.A. 40-963 provides, in relevant part:

...if the commissioner finds any person or organization has violated any provision of this act, may impose a penalty of not more than \$500 for each

violation, but if the commissioner finds such violation to be willful, may impose a penalty of not more than \$2,000 for each such violation...

11. Based on the information contained in paragraphs three (3) through six (6) above, it appears that Federal Insurance Company issued or delivered forms without prior approval and issued contracts in this state that were not filed with this department in violation of K.S.A. 40-216(a) and 40-955(f).

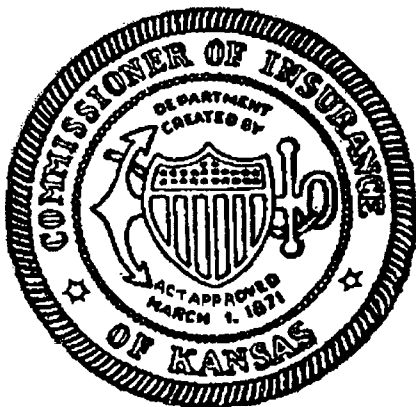
12. Federal Insurance Company admits to the allegation set forth herein this order as described above.

13. For the purposes of this Consent Order, Federal Insurance Company waives its right to a formal adjudicative proceeding and notice thereof and voluntarily consents to the following order of the Commissioner of Insurance.

**IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:**

Federal Insurance Company shall remit to the Kansas Insurance Department an administrative penalty in the sum of one thousand dollars (\$1,000) for violating K.S.A. 40-216(a) and 40-955(f).

IT IS SO ORDERED THIS 21<sup>st</sup> DAY OF Sept 2001, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.

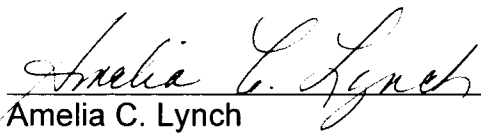


*Kathleen Sebelius*

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Commissioner of Insurance

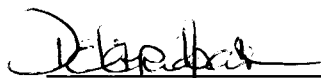
*Kathy Greenlee*

Kathy Greenlee  
General Counsel



Amelia C. Lynch  
Federal Insurance Department

SUBMITTED AND APPROVED BY:



Deletria L. Nash  
Attorney for Petitioner  
Kansas Insurance Department