

IN2205084/KB

**STATE OF MINNESOTA
COMMISSIONER OF COMMERCE**

Foremost Insurance Company Grand Rapids,
Michigan, NAIC #11185 (MI)
Foremost Property and Casualty Insurance Company,
NAIC #11800 (MI)
Foremost Signature Insurance Company, NAIC #41513
(MI)
American Federation Insurance Company, NAIC
#43699(FL), Corporations domiciled in the states noted
in parentheses, and licensed to do business in the State
of Minnesota.

CONSENT ORDER

To: Foremost Insurance Group
5600 Beach Tree Lane
Caledonia, Michigan 49316-0050

The Minnesota Department of Commerce (hereinafter "Department") conducted a market conduct examination, pursuant to Minn. Stat. § 60A.031 (2002), (hereinafter "Examination") of Foremost Insurance Company, Grand Rapids, Michigan, Foremost Property and Casualty Insurance Company, Foremost Signature Insurance Company, and American Federation Insurance Company (hereinafter "Foremost") commencing on April 17, 2003, and continuing to present, during which time it reviewed Foremost's operations from January 1, 2000, to present (hereinafter "Examination Period").

The Commissioner of Commerce Glenn Wilson (hereinafter "Commissioner"), as a result of the Examination, is prepared to commence formal proceedings and seek penalties in accordance with the provisions of Minn. Stat. § 45.027 (2002) against Foremost for certain alleged violations of or alleged failures to comply with Minnesota insurance law during the period of the Examination, as described more particularly hereinafter:

1. In some instances, Foremost did not make claims payments in a timely manner, in violation of Minn. Stat. § 72A.201, subd. 5 (5) (2002).
2. In some instances, Foremost did not inform insureds of the policy provision or provisions under which payments were made, in violation of Minn. Stat. § 72A.201, subd. 5 (1) and (6) (2002).
3. In some instances, Foremost did not notify insureds who had made claims of all available benefits or coverages which they may have been able to receive under the terms of the policy and the documentation which the insureds needed to supply in order to ascertain eligibility after being notified by the policyholder of a claim, in violation of Minn. Stat. § 72A.201, subd. 4 (1) and (5) (2002).
4. In some instances, Foremost did not issue written denials and did not include the specific policy provision, condition, or exclusion on which the denial was based, in violation of Minn. Stat. § 72A.201, subd. 4 (11) (2002).
5. Foremost accepted Minnesota insurance business from individuals that were either unlicensed or not appointed in Minnesota with the insurer at the time of sale, in violation of Minn. Stats. §§ 60K.48, subd. 1 and 72A.07 (2002).
6. In some instances, Foremost did not maintain an advertising file in the manner required by law, in violation of Minn. R. 2790.2000, subpt. 1 (2003).
7. In some instances, Foremost did not adequately make disclosures clearly and conspicuously or omitted information in a manner that has a capacity or tendency to mislead or deceive in violation of Minn. Stat. § 72A.20, subsd. 1 and 2 (2002) and Minn. R. 2790.0400, subpt. 3 and 2790.0500, subpt. 1 (2003).
8. In some instances, Foremost did not include in their claim files all written communications and transactions, notes, and work papers relating to the claim, in violation of Minn. Stat. § 72A.201, subd. 9 (3) (2002).

Foremost has agreed to informal disposition of these matters without a hearing as provided under Minn. Stat. § 14.59 (2002) and Minn. R. 1400.5900 (2003). This Consent Order represents an informal settlement and there have been no hearings, findings of fact or conclusions of law with respect to the allegations of the Commissioner.

The following Order is in the public interest.

NOW, THEREFORE, IT IS HEREBY ORDERED, that Foremost shall:

1. Develop and implement written policies and procedures for all claim personnel handling Minnesota claims. This shall include policies and procedures that provide for:
 - a) Accurate and complete claim file documentation;
 - b) Informing insureds of the chosen payment method;
 - c) Notifying insureds of all available benefits or coverages which they may be able to receive under the terms of the policy and the documentation which the insureds must supply in order to ascertain eligibility;
 - d) An explanation of the policy provision(s) under which payments are made;
 - e) Correspondence to insureds with clear and specific instructions or information regarding what the insurer is requesting or stating in the letter;
 - f) A clear and specific written explanation to insured as to the policy provision(s) that is the basis for the claim denial;
 - g) The proper method for determining actual cash value as it relates to partial dwelling losses; and
 - h) Timely and accurate claim payments.
2. Update and continually maintain an advertising file that is in compliance with the Minnesota Rule.
3. Perform a review of its advertising/marketing material in order to ascertain compliance with applicable Minnesota laws, and immediately discontinue the use of all advertising materials that are not in compliance.
4. Review each of the individual claims cited in the Draft Exam Report to determine whether further payment or action is warranted. Any remedial action taken shall be accompanied by a proper explanation.
5. Develop written policies and procedures to ensure compliance with the Minnesota agent licensing and appointment requirements under Minn. Ch. 60K.

The above listed items are to be completed by September 30, 2004. Foremost shall provide a report to the examiners pursuant to Minn. Stat., § 60A.031, of the details of the above actions in a format as required by the Department.

FURTHER, IT IS HEREBY ORDERED, that Foremost shall immediately cease and desist selling, soliciting or negotiating insurance in Minnesota through unlicensed or unappointed individuals.

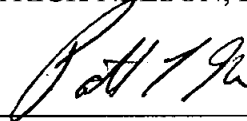
FURTHER, IT IS HEREBY ORDERED, the Examination shall remain open and the Department shall continue its oversight of Respondent until such time as the Department notifies Respondent that Respondent has satisfactorily implemented the measures set forth herein.

FURTHERMORE, IT IS HEREBY ORDERED, pursuant to Minn. Stat. § 45.027, subd. 6 (2002) that Foremost shall pay to the State of Minnesota a civil penalty in the amount of \$ 75,000.

This Order shall be effective upon signature on behalf of the Commissioner.

Dated: 8/18/84

PATRICK NELSON, Deputy Commissioner




85 Seventh Place East, Suite 500
St. Paul, Minnesota 55101
Telephone: 651-296-4026

CONSENT TO ENTRY OF ORDER

The undersigned, acting on behalf of the Foremost Insurance Group states the foregoing Consent Order has been read; the contents and effects are fully understood; and that Foremost has authorized the undersigned to execute this Consent to Entry of Order on behalf of the Foremost Insurance Group; and that Foremost has been advised of their right to a hearing; that Foremost has been represented by legal counsel; and that Foremost consents to entry of this Order by the Commissioner of Commerce. It is further expressly understood that this Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either express or implied.

FOREMOST INSURANCE GROUP

By: 

F. Robert Woudstra

Its President

STATE OF MICHIGAN)
)SS
COUNTY OF KENT)

This instrument was acknowledged before me on July 19, 2004 by F. Robert Woudstra, President of Foremost Insurance Company Grand Rapids, Michigan; President of Foremost Property and Casualty Insurance Company; President of Foremost Signature Insurance Company; and President of American Federation Insurance Company, respectively.



Patricia C. Roempke, Notary Public
Barry County, Michigan Acting in Kent County, Michigan
My Commission Expires: 3/11/08