

MULTI-STATE MARKET CONDUCT REGULATORY AGREEMENT

This Regulatory Settlement Agreement (the “Agreement”) is entered into this 9th day of November by and among (i) American Family Mutual Insurance Company, S.I. (American Family) (ii) the Illinois Department of Insurance (IL)(IL is referred to as the “**Managing Lead State**”); (iii) the Minnesota Department of Commerce (MN); (iv) the Wisconsin Office of the Commissioner of Insurance (WI)(collectively referred to as the “**Lead States**”); and (v) the insurance related regulatory bodies of such other jurisdictions choosing to adopt, agree to and approve this Agreement pursuant to the terms hereof (the “**Participating States**”) (the Lead States and the Participating States collectively referred to herein as the “**Settling Jurisdictions**”). The Settling Jurisdictions and American Family are each referred to herein as a “Party/Parties”.

I. RECITALS

- A. The Lead States, facilitated by the Market Actions Working Group (“MAWG”) of the National Association of Insurance Commissioners (“NAIC”) conducted a multi-state examination of American Family based upon a multi-state private passenger auto rating error in a closed book of business resulting from the incorrect application of the number of demerit points in certain scenarios. The examination focused on American Family’s compliance with certain insurance laws of the various jurisdictions. The examination identified areas of concern involving American Family’s compliance with its filed rates as relating to the applicable number of demerit points to be assessed, state rate filing requirements and other administrative practices and procedures.
- B. The Lead States were designated to negotiate an agreement with American Family that would include a framework for reviewing American Family’s remediation efforts to address the multi-state areas of concern by measuring American Family’s performance against agreed upon standards.

II. AGREEMENTS

A. Agreements by American Family.

1. **Multi-State Areas of Review.** The Lead States have identified certain areas of concern that American Family has agreed should be subject to review on a collaborative basis for the benefit of the Settling Jurisdictions (the “Multi-State Areas of Review”). The Multi-State Areas of Review included a targeted examination of the Private Passenger Auto line of business in relation to the events surrounding the application of demerit points, and the system corrections, processing, and calculation of refunds resulting from the incorrect application of those points.
2. **Process Improvement Plan.** American Family in cooperation with the Lead States has developed a process improvement plan (the “Process Improvement Plan”) to address, resolve, and monitor the Multi-State Areas of Review. American Family shall commence implementation of the Process Improvement Plan within thirty (30) days of the Effective Date. The Process Improvement Plan may only be modified or amended pursuant to Section III.G.8.

3. **Benchmarks and Compliance.** Compliance with the Process Improvement Plan will be measured against the standards developed by the Lead States and American Family as set forth in **Exhibit B** to this Agreement (the Benchmarks”) and applied to the impacted thirteen operating states. American Family agrees to use their best efforts to achieve compliance with the Benchmarks on or before the expiration of this Agreement. American Family shall be deemed to be in compliance with the Benchmarks if the performance of American Family falls within the tolerances established and set forth in **Exhibit B**.
4. **Training.** American Family personnel shall be provided appropriate training designed to educate them on the responsibilities arising from the areas of concern outlined in Section II. A. 1. Multi-State Areas of Review. Emphasis in such training shall be placed on concerns raised in the corrective measures set forth in this Agreement.
5. **Remediation Program.** American Family has conducted and will continue to conduct a Remediation Program (‘Remediation Program”) in which refunds are provided to insureds affected by the incorrect application of demerit points.
6. **Monitoring and Reporting.** The Lead States, on behalf of and for the benefit of Participating States, will monitor American Family’ implementation of the Process Improvement Plan. American Family agrees to report to the Managing Lead State at least quarterly, or upon request of the Lead States, to update their progress under the terms of this Agreement. The Lead States may waive this requirement if they determine that reporting is no longer necessary. Each report shall be due and delivered to the Managing Lead State within thirty (30) days of the end of each reporting period or the date of request and the first report shall cover the three (3) month period immediately following the Effective Date.
7. **Compliance Review.** The Lead States shall conduct a compliance review of American Family’s implementation of Section II. of the Process Improvement Plan. Such review shall occur in conjunction with American Family’s next scheduled domestic state financial exam which is anticipated to begin in the Spring of 2022. However, the review will occur no later than the Summer of 2022. American Family’s compliance with Section II. of the Process Improvement Plan shall be measured according to the benchmark metrics established in Section II.A.3.
8. **No Admission of Liability.** Neither this Agreement, nor any act performed or document executed pursuant to or in furtherance of this Agreement, are now, or at any point in the future, deemed to be an admission of or evidence of liability or any wrongdoing by American Family.

B. Agreements by the Settling Jurisdictions.

1. **Resolution of All Issues.** By entering into this Agreement, the Settling Jurisdictions and American Family intend to resolve all the concerns addressed by the Multi-State Areas of Review, including any alleged violations of laws and regulations, and this Agreement shall be deemed a complete settlement and full and final resolution, and is in lieu of any disciplinary, legal, regulatory or enforcement action(s) that could have been taken by any

Settling Jurisdiction, relating to the concerns addressed by the Multi-State Areas of Review and arising out of any alleged violations of any laws, regulations or administrative orders issued or which could have been issued by the Settling Jurisdictions through the Term.

2. **Regulatory Participation and Forbearance.** During the term of this Agreement, each of the Settling Jurisdictions agree that they (i) will not engage in any investigative or examination activities of American Family relating to the issues subject to the Multi-State Areas of Review and (ii) will not impose a fine, injunction or any other remedy on American Family for any of the matters that are encompassed in the Multi-State Areas of Review, and (iii) may only participate on terms set forth in this Agreement in any remedy that may be imposed under this Agreement. Notwithstanding the foregoing, any Settling Jurisdiction may take any and all appropriate action should American Family violate any provision of the insurance laws and regulations of its jurisdiction with regard to activities outside the scope of the Multi-State Areas of Review and nothing contained herein shall limit the authority of the Settling Jurisdictions from dealing with specific instances of consumer complaints, licensing changes, rate and form filing, or conducting other regulatory functions. Such regulatory functions shall not be deemed within the scope of this Agreement.
3. **Consumer Complaints.** This Agreement is not intended and may not be construed to limit the authority of a Settling Jurisdiction's consumer services division, or its equivalent, in investigating and taking appropriate action with regard to a consumer complaint.

III. OTHER AGREEMENTS

- A. **Default and Cure.** If American Family defaults with respect to any obligation under this Agreement, they shall use commercially reasonable efforts to cure such default as soon as reasonably practicable. If such default is not remedied within ninety (90) business days following delivery of a written notice pursuant to Section III.G.10. specifying such default, during which period the Settling Jurisdictions and American Family shall make reasonable efforts to amicably resolve any disputes regarding the default, the Settling Jurisdiction(s) may seek administrative and/or judicial enforcement of this Agreement.
- B. **Penalties.** American Family shall pay a total of One Million, Nine Hundred and Fifty Thousand and no/100 Dollars (\$1,950,000) to the Settling Jurisdictions for compliance with the Examination (the "Multistate Payment"). The Multistate Payment shall be allocated among the Settling Jurisdictions that sign the Adoption Agreement. The Multistate Payment shall be the sole amount charged, assessed or collected by the Settling Jurisdictions with respect to this Examination provided American Family fully completes the obligations under the agreed upon Process Improvement Plan as set forth in Section II.A.2 and the Benchmarks established in II.A.3. However, should American Family fail to materially comply with the Process Improvement Plan as determined according to Section II.A.7., an additional charge of One Million, Nine Hundred and Fifty Thousand and no/100 Dollars (\$1,950,000) may be assessed.

- C. Choice of Law.** When an issue pertaining to this Agreement applies to multiple jurisdictions, the Settling Jurisdictions and American Family agree that Illinois law shall apply. When an issue pertaining to this Agreement is specific to an individual jurisdiction, the Settling Jurisdictions and American Family agree that the particular substantive law of that jurisdiction shall be utilized for the purpose of interpreting, applying and enforcing any provision of this Agreement in that jurisdiction. In such case(s), the appropriate forum shall be the courts or regulatory agency of that particular jurisdiction. Nothing in this Agreement enlarges, supersedes or preempts the insurance laws and regulations of any of the Settling Jurisdictions.
- D. Confidentiality.** The monitoring of American Family for compliance with this Agreement constitutes an ongoing examination by the State of Illinois, as the Managing Lead State, pursuant to 215 ILCS 5/423(1) & (2). The Settling Jurisdictions expressly recognize Illinois as the producing state of information of materials received in connection with this Agreement and agree that any and all work papers, recorded information, documents and copies of work papers, and documents produced by, obtained by, or disclosed to Settling Jurisdictions shall be given confidential treatment to the fullest extent provided by Illinois law and shall not be subject to subpoena and may not be made public by the Settling Jurisdictions or to any other person, and shall not be public records subject to disclosure pursuant to other relevant Illinois law.
- E. Effective Date.** The effectiveness of this Agreement is conditioned upon the following: (i) approval and execution of this Agreement by American Family and the Lead States (the "Execution Date"), and (ii) approval and execution of this Agreement by 80% of the Participating States. The date on which the last of these approvals is secured shall be the Effective Date of this Agreement (the "Effective Date").
- F. Term.** This Agreement shall remain in effect until a successful completion of the compliance examination, as outlined in Section II.A.7., (the "Term"), unless otherwise amended by agreement of American Family.
- G. Miscellaneous Provisions.**
- 1. Execution.** To become a party to this Agreement, an Insurance Director, Commissioner, Superintendent or their designee shall execute an Adoption Agreement within sixty (60) days from the Execution Date. If a Settling Jurisdiction finds that, under applicable state law, regulation or procedure, the preparation and execution of a consent order is necessary to carry out the terms of this Agreement, such a consent order (the "Applicable Consent Order") shall be prepared by such Participating State within sixty (60) days following the Execution Date. The Lead States and American Family may waive the sixty (60) day period for Participating States to execute this Agreement. For purposes of this Agreement, an "Applicable Consent Order" shall be satisfactory to American Family if it (i) incorporates by reference and attaches via exhibit a copy of this Agreement, (ii) expressly adopts and agrees to the provisions of this Agreement, and (iii) includes only those other terms that may be legally required in the jurisdiction of the

applicable Participating State. However, nothing in this Agreement shall be construed to require any jurisdiction to execute and deliver an Applicable Consent Order if such jurisdiction elects instead to sign this Agreement.

- 2** **Enforceability.** Each Settling Jurisdiction hereby gives express assurance that this Agreement is enforceable by its terms under the applicable laws, regulations and judicial rulings in its respective jurisdiction and, that the Settling Jurisdiction has the authority to enter into this Agreement and bind that party now and in the future. By the execution of this Agreement with American Family, each Settling Jurisdiction acknowledges that they have reviewed and agrees with the terms and conditions as set forth herein.
- 3** **Successors and Assigns.** This Agreement shall be binding on and inure to the benefit of the Settling Jurisdictions and American Family and their respective legal representatives, successors and assigns.
- 4** **Waiver.** The failure of the Settling Jurisdictions at any time to require the strict performance by American Family of any of the terms, provisions or conditions hereof shall in no way affect the right thereafter to enforce the same, nor shall the waiver by the Settling Jurisdiction of any breach of any terms, provisions and conditions hereof be construed or deemed a waiver of any succeeding breach of any term, provision or condition thereof.
- 5** **Third Party Beneficiaries.** Nothing herein shall confer any rights upon any persons or entities other than the Settling Jurisdictions and American Family.
- 6** **Extensions.** The Settling Jurisdictions and American Family may mutually agree, in writing, to any reasonable extensions of time that might become necessary to carry out the provisions of this Agreement.
- 7** **Entire Agreement.** This Agreement and/or any Applicable Consent Order or any other order issued by a Settling Jurisdiction set forth the entire agreement among the Parties with respect to its subject matter and supersedes all prior agreements, arrangements or understandings (whether in written or oral form) between American Family and the Settling Jurisdictions.
- 8** **Amendments.** This Agreement and its Exhibits may be amended by the Lead States and American Family without the consent of any Participating State, provided that such amendment does not materially alter this Agreement. Any amendment to the terms of this Agreement and its Exhibits, which would affect the regulatory authority of any Settling Jurisdiction(s), shall not become effective without the written consent of such Settling Jurisdiction(s). All such amendments to this Agreement shall be in writing.
- 9** **Expenses.** American Family agrees to pay the reasonable expenses the Lead States incur in monitoring American Family' compliance with this Agreement, including

the expenses of the compliance exam in Section II.A.7., and the expenses of contracted third parties selected by the Managing Lead State to assist them in performing their duties pursuant to the Agreement, as well as conducting or attending any meetings, presentations, or discussions with American Family or other Settling Jurisdictions. Such expenses should be payable to the Lead States within thirty (30) days of the presentation of valid receipts.

10. Notice. All notices permitted or required to be delivered under this Agreement shall be in writing and shall be deemed so delivered by hand, one (1) business day after transmission by facsimile or other electronic system (evidenced by machine generated receipt), five (5) business days after being placed in the hands of a commercial courier service for express delivery, or ten (10) business days after placement in the mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the following addresses or a party's most current principal address of which the party sending the notice has been notified:

If to American Family: Scott Seymour, Government Affairs & Compliance
Vice President
American Family Mutual Insurance
Company, S.I.
6000 American Parkway
Madison, WI 53783

If to the Managing Lead State: Illinois Insurance Department
Attn: Chief Market Conduct Examiner
320 W. Washington St., 5th Floor
Springfield, IL 62727

11. Severability. In the event that any portion of this Agreement is held invalid under any particular jurisdiction's law as it is relevant to a Settling Jurisdiction, such invalid portion shall be deemed to be severed only in that jurisdiction and all remaining provisions of this Agreement shall be given full force and effect and shall not in any way be affected thereby.

12. Counterparts. This Agreement may be signed in multiple counterparts, each of which shall constitute a duplicate original, but which taken together shall constitute but one and the same instrument.

EXECUTED BY:

**American Family Mutual Insurance Company, S.I. (NAIC
#19275)**



President and CEO-Elect

Date 11/15/2021

I, William B. Westrate, hereby affirm that I am the President and CEO-Elect of American Family Mutual Insurance Company, S.I. and have the authority to execute this Agreement on the behalf of American Family Mutual Insurance Company, S.I.

Illinois Insurance Department

Signature Erica Weykenmeyer

Printed Name

Title _____

Date _____

Minnesota Department of Insurance

Signature [Signature]

Printed Name

Title Matthew Vatter

Date December 6, 2021

Wisconsin Office of the Insurance Commissioner

Signature [Signature]

Printed Name Nathan Houdek

Title Deputy Commissioner

Date 12/1/2021

EXHIBIT A

Participating Regulators

- 1. Alaska**
- 2. Arizona**
- 3. Arkansas**
- 4. Colorado**
- 5. Connecticut**
- 6. Idaho**
- 7. Illinois****
- 8. Iowa**
- 9. Minnesota***
- 10. Nebraska**
- 11. Nevada**
- 12. North Dakota**
- 13. South Dakota**
- 14. Tennessee**
- 15. West Virginia**
- 16. Wisconsin***
- 17. Wyoming**

***-Lead State**

****-Managing Lead State**

EXHIBIT B

Benchmarks and Compliance

- A. Reports to be provided:
 - 1. Quarterly remediation reports
 - American Family will provide quarterly reports until the Final Remediation Report is submitted. It is anticipated that four such quarterly reports will be submitted and will include:
 - a. Weekly audit findings for the quarter
 - b. Status of cleanups
 - 2. Final remediation report showing all:
 - a. Policies identified
 - b. Premium refunded per policy
 - c. Interest applied per policy

- B. For each process/procedure outlined in the PIP to address the governance and communication issues, provide measurable, reportable, and verifiable data establishing identifiable improvements.
 - 1. A Personal Lines Compliance and Corporate Compliance Monthly Defect Review Checklist is being updated regularly.

EXHIBIT (C)

**PARTICIPATING STATE ADOPTION
of
REGULATORY SETTLEMENT AGREEMENT**

**MARKET CONDUCT EXAMINATION OF
AMERICAN FAMILY MUTUAL INSURANCE SI.**

**IN THE MATTER OF
AMERICAN FAMILY MUTUAL INSURANCE SI. (NAIC #19275)**

On behalf of the South Dakota Division of Insurance, I, Larry Deiter, as Director, hereby adopt, agree, and approve the Regulatory Settlement Agreement dated (Date) by and between the above-named Company and the regulatory agencies named therein.

South Dakota Division of Insurance

By:



Title:

Director

Date:

JANUARY 5, 2022

Please provide the following information as to how your jurisdiction's allocation of the Multi State Administrative Payment should be sent from American Family Mutual Insurance SI.

CONTACT NAME: Tony Dorschner

MAILING ADDRESS: 124 South Euclid Avenue, 2nd Floor, Pierre, SD 57501

PHONE NUMBER: 605-773-3563

EMAIL: tony.dorschner@state.sd.us

PAYMENT MADE TO:

Please return this form to:

Name/Title: Erica Weyhenmeyer

State Department: Illinois DOI

Email: Erica.Weyhenmeyer@illinois.gov,

psantillanes@naic.org.