



BEFORE THE IOWA INSURANCE COMMISSIONER

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IN THE MATTER OF	)	
	)	Division Case No. 107932
STRATFORD INSURANCE CO.	)	<b>ORDER AND</b>
NAIC CoCode 40436,	)	<b>CONSENT TO ORDER</b>
	)	
	)	
Respondent.	)	

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**NOW THEREFORE**, upon motion of the Iowa Insurance Division (“Division”) and by the consent of Respondent Stratford Insurance Company, pursuant to the provisions of Iowa Code chapter 507B—Insurance Trade Practices and Iowa Administrative Code chapter 20—Property and Casualty Insurance, the Commissioner enters the following Order and Consent to Order (“Consent Order”):

**I. PARTIES AND JURISDICTION**

1. The Commissioner of Insurance, Douglas M. Ommen, directly and through his designees, administers and enforces Iowa Code chapter 507B—Insurance Trade Practices and Iowa Administrative Code chapter 20—Property and Casualty Insurance pursuant to Iowa Code § 505.8.
2. Stratford Insurance Company (“Stratford”) is a for-profit corporation, domiciled in the state of New Hampshire, with its main administrative office located at 300 Kimball Drive, Suite 500, Parsippany, New Jersey 07054.
3. At all times relevant herein, Stratford has been authorized as an insurer in the state of Iowa under NAIC CoCode 40436.
4. Pursuant to Iowa Code § 505.28, Stratford has consented to the jurisdiction of the Commissioner of Insurance by committing acts governed by chapters 507B and 515.

5. On or about January 31, 2020, until on or about April 9, 2020, Respondent engaged in acts and practices within the state of Iowa constituting cause for probation, suspension, or revocation of its insurance producer license; cease and desist orders; and civil penalties or other relief under Iowa Code chapters 505, 507B, 515, and rules adopted pursuant to these chapters.

## **II. FINDINGS OF FACT**

6. Stratford was authorized to write crop insurance all times relevant herein.

7. Crop Risk Service, Inc. (“CRS”) is an affiliated program administrator for Stratford and has been licensed in the state of Iowa as a business entity producer (“BEP”) since August 30, 2005. CRS is licensed under BEP License 1001002950 and National Producer Number 2107470.

8. On January 31, 2020, CRS filed rates with the Division on behalf of Stratford for two private crop products, Production Wind and Wind/Green Snap/Extra Harvest (hereinafter referred to collectively as “Crop-Hail Insurance”). Both of the Crop-Hail Insurance products are endorsements to a hail policy.

9. The filed rates for Crop-Hail Insurance did not comply with Iowa Insurance Division Bulletin 18-02, “Rules for Crop-Hail Insurance Rate and Form Filings” (“Bulletin 18-02”). The rates were inadequate and lower than permitted under Bulletin 18-02.

10. While these rates were initially approved by the Division, on or about February 28, 2020, the Division notified CRS that the rates did not comply with Bulletin 18-02.

11. CRS submitted revised rates on March 6, 2020 and the Division approved the rates on March 9, 2020. The March 6<sup>th</sup> rates had a deviation of -75.6% from the National Crop Insurance Services (“NCIS”) Final Average Loss Costs (“FALC”). On March 14, 2020, the Division notified CRS that the modified rates were still noncompliant with Bulletin 18-02.

12. CRS modified and resubmitted the rates to the Division for a third time on March 17, 2020. The March 17<sup>th</sup> rates contained the maximum deviation allowed by Bulletin 18-02, or -40%. However, the rates were still noncompliant because CRS did not use the correct loss cost modification factors (“LCMFs”).

13. CRS again revised the rates to reflect the proper LCMFs and filed the corrected rates on April 1, 2020. The Crop-Hail rates were approved by the Division on April 9, 2020.

14. The final rates were significantly higher than the previously filed rates.

15. The Crop-Hail products are usually purchased by farmers in conjunction with Multi-Peril Crop Insurance (“MPCI”).

16. Prior to the filing of compliant rates on April 1, 2020, producers offered and sold the Crop-Hail products using the initial, noncompliant rates. The quoted premiums were lower (some by half) than the rates offered by competitors who filed compliant rates for the same products.

17. Iowa farmers chose to obtain coverage through Stratford based upon the quoted premium rates. Furthermore, many of these farmers signed applications for insurance, based upon the markedly lower initial rates filed with the Division, before the rates were fully compliant in April. Per the terms of the Stratford application, applications are accepted and insurance attaches for the crops and years specified when the signed application is submitted.

18. Rates were raised at least twice after the initial rate was quoted to Iowa farmers and applications for coverage were submitted. Due to the increases, many farmers canceled or reduced their coverage amounts.

19. The noncompliant Production Wind rates affected 245 coverages and out of these, 101 coverages were negatively affected by the change in rates, with a total increase in premium

\$380,297. After telling the farmers of the significant rate increases, some representing as high as a 475% increase, 124 coverages cancelled and 17 coverages chose not to plant any corn.

20. The noncompliant Wind/Green Snap/Extra Harvest rates affected 252 coverages and out of these, 73 coverages were negatively affected by the change in rates, with a total increase in premium of \$8,039. 73 coverages received a decrease in premium by a total of \$30,046. After telling the farmers of the significant rate increases, 27 coverages were cancelled and 44 coverages choose not to plant.

21. In addition to the dramatic increase in premium, farmers were also disadvantaged by the timing of these rate changes. For the 2020 crop year, MPC I had to be purchased by March 15, 2020. Although wind and hail products can be purchased at a later date, many Iowa farmers either believed that the March 15<sup>th</sup> deadline applied to all crop insurance products or simply preferred to purchase all of their crop insurance at the same time, from the same company.

22. At least 37 farmers told the Division they felt that they had no choice but to go without or with reduced coverage due to the drastic premium increases and had crops which sustained extensive hail and wind damage from the August derecho, a devastating weather event. The total uninsured loss is unknown at this time, but is, at minimum, \$716,000.

23. Neither Stratford nor CRS have ever been the subject of a Division investigation or enforcement action for filing or using non-compliant rates. Both Stratford and CRS have cooperated fully with the Division's investigation in this matter.

### III. CONCLUSIONS OF LAW

#### COUNT ONE

#### **Unfair Competition and Unfair or Deceptive Acts or Practices**

24. Pursuant to Iowa Code chapter 515, all forms of policies, applications, and endorsements proposed to be issued by any company doing business in the state of Iowa must first be submitted to the Division for review and approval.
25. Under Iowa Administrative Code rule 20.8, rate filings for crop-hail insurance must be submitted to the Division on or before January 31 of each calendar year.
26. Under Iowa Code § 507B.3, “a person shall not engage in this state in any trade practice which is defined in this chapter, or is determined pursuant to section 507B.6 to be, an unfair method of competition, or an unfair or deceptive act or practice in the business of insurance.”
27. Under Iowa Code § 507B.4(3)(a)(1), it is an unfair method of competition and an unfair or deceptive act or practice to misrepresent the benefits, advantages, conditions, or terms of any insurance policy in any statement, sales presentation, omission, or comparison.
28. On behalf of Stratford, CRS filed rates with the Division that failed to comply with Bulletin 18-02. These noncompliant rates gave CRS an unfair competitive advantage because the rates were markedly lower than the compliant rates filed by their competitors.
29. Stratford, acting through its affiliated program administrator, misrepresented the terms of the Crop-Hail policies by quoting premium rates which failed to comply with Bulletin 18-02. Iowa farmers selected to obtain coverage through Stratford, in large part, due to the low, quoted rates. These rates increased twice after many of these farmers already submitted signed applications and coverage was bound. Farmers had to pay \$388,336 more in insurance premiums after the rates were corrected and finalized in April.

30. At least 124 Production Wind coverages and 27 Wind/Green Snap/Extra Harvest coverages cancelled after receiving notice of the significant price increases.
31. Some of the farmers who went with no or reduced coverage due to the price increases suffered losses due to the August derecho weather event that otherwise may have been eligible for an insurance claim if the coverage had not been cancelled.
32. Stratford's acts and practices have been in violation of Iowa Code §§ 507B.3 and 507B.4(3) subjecting Stratford to the imposition of a civil penalty, an order requiring Stratford to cease and desist from engaging in such acts or practices, the imposition of costs of the investigation and prosecution of the matter, and any other corrective action the Commissioner deems necessary and appropriate pursuant to Iowa Code §§ 505.8 and 507B.7.

#### **IV. ORDER**

**WHEREFORE, IT IS ORDERED** pursuant to the powers granted to the Commissioner of Insurance by Iowa Code chapters 505 and 507B:

- A. Respondent shall, within ten (10) days of this Consent Order, pay a civil penalty in the amount of \$50,000.00, made payable to the Iowa Insurance Division, to be credited to the Iowa Enforcement Fund, to provide funds for insurance enforcement and education pursuant to Iowa Code §§ 505.8 and 507B.7;
- B. Subject to Division approval, Stratford shall provide written notice to all affected policyholders, within twenty (20) days of this Consent Order, explaining Stratford's use of noncompliant rates and that refunds, reflecting the difference between the quoted rate and the final corrected rate, shall be credited to those policyholders that received an increase in premium cost;

- C. Pursuant to Iowa Code §§ 507B.7 and 505.8, Stratford shall apply the lower rate submitted to the Division on January 31, 2020, which was quoted to Iowa farmers during the sales process, and shall provide a refund to those farmers who were charged the higher, modified April rate within twenty (20) days of this Consent Order; and
- D. Respondent shall, within ten (10) days of this Consent Order, pay the amount of \$5,560 for costs of investigation and proceeding pursuant to Iowa Code § 505.8. Payment shall be made payable to the Iowa Insurance Division, to be credited to the Iowa Enforcement Fund to provide funds for insurance enforcement and education.
- E. These orders may be enforced under Iowa Code chapters 507B and 522B, including but not limited to Iowa Code § 507B.8 and 522B.17(3), and additionally, by any collection remedies available to the State of Iowa Department of Revenue for unpaid penalties and other ordered monetary amounts.

**SO ORDERED** on the 21st day of December, 2020.



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DOUGLAS M. OMMEN  
Iowa Insurance Commissioner

Respectfully submitted,

*/s/ Johanna Nagel*

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**ATTORNEY  
FOR RESPONDENT**

**CERTIFICATE OF SERVICE**

The undersigned certifies that the foregoing instrument was served upon all parties to the above cause, or their attorney, at their respective addresses disclosed on the pleadings on December 21, 2020.

By: ( ) First Class Mail ( ) Personal Service  
( ) Restricted certified mail, return receipt (X) Email, by consent  
( ) Certified mail, return receipt ( ) \_\_\_\_\_

Signature: /s/ Hilary Foster  
Hilary Foster

**NOTICE OF PENALTIES FOR WILLFUL VIOLATION OF THIS ORDER**

**YOU ARE ALSO NOTIFIED** that if you violate this Order, you may be subject to administrative and civil penalties pursuant to Iowa Code § 522B.17(3). The Commissioner may petition the district court to hold a hearing to enforce the order as certified by the Commissioner. The district court may assess a civil penalty against you in an amount not less than three thousand dollars but not greater than ten thousand dollars for each violation, and may issue further orders as it deems appropriate.

**NOTICE OF FINAL ORDER IMPACT**

A final order of license probation, suspension, or revocation or a cease and desist order may adversely affect other existing business or professional licenses and may result in license revocation or disciplinary action.

A final order in an administrative action does not resolve any potential criminal or civil violations or causes of action that might arise from the same or similar conduct that is the subject of this this order. It may result in criminal law enforcement authorities, including the fraud bureau of the Iowa Insurance Division, pursuing a criminal investigation or prosecution of potential criminal law violations.



**CONSENT TO ORDER AND AGREEMENT**

I, Lisa A. Rora, as authorized agent for Stratford Insurance Company, Respondent in this matter, have read, understood, and do knowingly consent to this Order in its entirety. By executing this Consent, I understand that I am waiving Respondent's rights to a hearing, to confront and cross-examine witnesses, to produce evidence, and to judicial review.

I further understand this Order is considered a final administrative action that will be reported by the Division to the National Association of Insurance Commissioners and to other regulatory agencies. I also understand this Order is a public record under Iowa Code chapter 22 and information may be shared with other regulatory authorities or governmental agencies, pursuant to Iowa Code § 505.8(8)(d). I also understand this Order will be posted to the Division's website and a notation will be made to the publicly available website record that administrative action has been taken against Respondent.

12/14/2020  
Date

[Signature]  
Stratford Insurance Company, Respondent

300 Kimball Drive, Suite 500, Pompano, NJ 07054  
Address of Signatory

By: Lisa A. Rora  
Title: ENP, General Counsel

Subscribed and sworn before me by John Ritten on this 14 day of December, 2020.

John RITTEN  
Witness Printed Name

[Signature]  
Witness Signature

12-14-20  
Date