

**STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

Before the Director of the Department of Insurance and Financial Services

In the matter of:

Department of Insurance and Financial Services

Docket No. 13-008129-DIFS

Petitioner,

Case No. 11-11337

v

Agency No. 13-927-L

Bader Company
an Indiana Corporation
System ID No. 0035461

Respondent.

Issued and entered
on December 19, 2013
by Teri L. Morante
Chief Deputy Director

ORDER ACCEPTING STIPULATION

Based upon the Stipulation to Entry of Order (Stipulation) and the files and records of the Department of Insurance and Financial Services (DIFS) in this matter, the Chief Deputy Director finds and concludes the following:

1. The Chief Deputy Director has jurisdiction and authority to adopt and issue this Order Accepting Stipulation in this proceeding pursuant to the Michigan Administrative Procedures Act of 1969 (APA), as amended, MCL 24.201 et seq., and the Michigan Insurance Code of 1956 (Code), MCL 500.100 et seq.
2. All required notices have been issued in this case, and the notices and service thereof were appropriate and lawful in all respects.
3. Acceptance of the Stipulation to Entry of Order is reasonable and in the public interest.
4. All applicable provisions of the APA have been met.

FINDINGS

5. Bader Company (Respondent) is an Indiana corporation. Its principal place of business is located at 9777 N. College Ave., Indianapolis, IN 46280. Bader is currently licensed as a nonresident insurance producer agency in the state of Michigan. System I.D. 0035461. Bader holds a qualification to solicit, sell and negotiate in the lines of property and casualty.
6. Bader is appointed by Pennsylvania Manufacturers Association Insurance Company (PMAIC) to sell commercial inland marine insurance to self-storage facility owners/operators (SSF Owners) in Michigan. The policy is designed to provide insurance coverage to owners of self-storage, mini-storage or mini-warehouse type facilities to cover their liability for damage to personal property stored in their facilities. Bader sold the policy to multiple SSF Owners with facilities located in Michigan.
7. The Respondent assisted and encouraged the SSF Owners to offer and sell PMAIC commercial inland marine insurance as “tenant insurance” to self-storage facility tenants. The SSF Owners were not licensed to engage in the business of insurance as required by the Code. The Respondent and SSF Owners misrepresented the nature and character of the commercial inland marine insurance policy the SSF Owners actually purchased.
8. More specifically, the SSF Owner or employee of the same, placed forms created by the Respondent before tenants to enable them to elect to “participate” in “coverage arranged by the storage facility” and to elect a coverage amount. The tenants were issued “certificates of insurance” under the policy as if they were “enrolled” in a group policy.
9. Additionally, the Respondent’s forms further misled tenants to believe that they were purchasing “tenant insurance” or “personal property insurance” by stating that the coverage being sold provided coverage for the tenant’s personal property while it was being stored in the storage facility. The forms had the tenants acknowledge, “I [the tenant] understand the *insurance I have agreed to purchase* will terminate if my premium due is more than 30 days delinquent under the terms of my certificate of insurance...”
10. The Respondent also created a claims letter which referred to the tenant as “the insured,” with the letter beginning “Dear Insured,” despite the fact that the tenant was not a named insured on the policy and had no right to file a claim with PMAIC.
11. Finally, Respondent, through its agents the SSF Owners, had the tenants sign a form agreeing that a portion of the premium he or she paid for insurance would cover the storage company’s costs of collecting, accounting for, and remitting “premium” to the insurer as if those actions were being taken on the tenant’s

behalf. The SSF Owner collected the “premium” from the tenant and forwarded it to the Respondent. Of the “premium” amount collected, Respondent rebated a portion to the SSF Owner as an “administrative fee.”

12. From March 2002 through January 2012, the total number of tenant “insurance” applications received by Respondent from SSF Owners in Michigan was 101,316. During this period, Bader collected \$5,452,163.74 from tenants and of that, the total amount of administrative fees rebated to SSF Owners was \$2,411,922.78.

CONCLUSIONS

13. Respondent intentionally misrepresented the terms of an actual insurance contract and application for insurance when it created and supplied forms to SSF Owners for use with Respondent’s “tenant insurance” program knowing that no tenant would be insured under the commercial inland marine insurance policy, and when it misrepresented the commercial inland marine insurance policy as personal property insurance or tenant insurance in violation of Section 2005(a), MCL 500.2005(a), and Section 2007, MCL 500.2007, thereby providing justification for sanctions pursuant to MCL 500.1239(1)(e).
14. Respondent used dishonest practices and demonstrated untrustworthiness and/or incompetence in the business of insurance when it created and supplied forms to SSF Owners for dissemination to tenants purporting to represent a “tenant insurance” program knowing that no tenant would be insured under the commercial inland marine insurance policy, that the insurance coverage represented to the tenants was not personal property insurance or tenant insurance, and that tenants would have no ability to make a claim under the policy, thereby providing justification for sanctions pursuant to MCL 500.1239(1)(h).
15. Respondent rebated \$2,411,922.78 in commission, service fees and/or other valuable consideration to its insureds, the SSF Owners, in violation of Section 1207(3), MCL 500.1207(3), and Section 2066(1), MCL 500.2066(1).
16. Based on the foregoing, Respondent Bader Company has provided justification for sanctions pursuant to Sections 1207(3), 1239(1)(b), (e) and (h), 1240(1), 2005(a), 2007, and 2066(1) of the Code, MCL 500.1207(3), MCL 500.1239(1)(b) (e) and (h), MCL 500.1240(1), MCL 500.2005(a), MCL 500.2007, and MCL 500.2066(1).

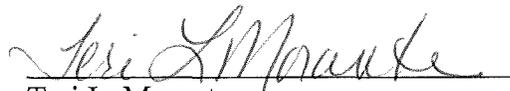
NOW THEREFORE, based upon the Stipulation to Entry of Order and the facts surrounding this case, **IT IS ORDERED THAT:**

1. Respondent shall immediately cease and desist from operating in such a manner as to violate Sections 1207(3), 1239(1)(b), (e) and (h), 1240(1), 2005(a), 2007, and 2066(1) of the Code, MCL 500.1207(3), MCL

500.1239(1)(b) (e) and (h), MCL 500.1240(1), MCL 500.2005(a), MCL 500.2007, and MCL 500.2066(1) by proceeding as required in this Order.

2. Respondent shall have 60 days to restructure its self-storage facility insurance program as detailed in the Stipulation at paragraphs 6-12.
3. Respondent is assessed a market conduct fee of \$50,000 payable to the State of Michigan.
4. The Chief Deputy Director retains jurisdiction over the matters contained herein and has the authority to issue such further orders as shall be deemed just, necessary, and appropriate in accordance with the Code. Failure to abide by the terms and provisions of the Stipulation to Entry of Order and this Order may result in the commencement of additional proceedings.

DEPARTMENT OF INSURANCE
AND FINANCIAL SERVICES



Teri L. Morante
Chief Deputy Director

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DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

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Respondent.

STIPULATION TO ENTRY OF ORDER

Respondent Bader Company hereby stipulates as follows:

1. On or about August 14, 2013, the Department of Insurance and Financial Services (DIFS) served Respondent with a Complaint alleging that Respondent violated provisions of the Michigan Insurance of 1956 (Code), MCL 500.100 *et seq.*
2. Respondent appeared before the Michigan Administrative Hearing System to defend pursuant to the Michigan Administrative Procedures Act (APA), MCL 24.201 *et seq.*
3. Respondent admits the Findings and Conclusions as detailed in the attached Order Accepting Stipulation (Order) for purposes of this settlement and has agreed to resolve this matter through this Stipulation to Entry of Order (Stipulation) in order to avoid the uncertainty, time and expense of formal proceedings.
4. Respondent understands and agrees that this Stipulation and attached Order will be presented to the Chief Deputy Director for approval. The Chief Deputy Director may, in her sole discretion, decide to accept or reject this Stipulation. If the Chief Deputy Director accepts the Stipulation, Respondent waives the right to a hearing in this matter and consents to the entry of the Order. If the Chief Deputy Director does not accept the Stipulation, Respondent waives any objection to the holding of a formal administrative hearing and the making of a decision after such hearing.
5. All parties have complied with the procedural requirements of the APA and the Code.

6. Respondent agrees to restructure its self-storage facility insurance program in such a manner that there will be no solicitation, negotiation or sale of insurance to self-storage facility tenants by persons required to be licensed under the Code and who are not so licensed. If Michigan law is subsequently amended to expressly permit such activity without a license, Respondent shall be relieved of this obligation to the extent permitted by the amended law.
7. Self-storage facility owners or employees of the same will not provide insurance forms for tenants to complete.
8. Respondent agrees to transfer all current Michigan self-storage facility policyholders to a non-reporting Commercial Inland Marine Insurance Policy with an Additional Insured – Loss Payable Provisions Endorsement.
9. Respondent agrees to be responsible for collecting premium from self-storage facility owners, and agrees that no administrative fees, rebate, reimbursements, fees, charges, or other valuable consideration will be paid to the self-storage facility policyholders, unless approved by DIFS.
10. Respondent agrees that all written communications to self-storage facility tenants pertaining to the insurance held by the self-storage facility owner will be in a font of not less than 10 pt.
11. Respondent agrees to change its “Your Storage Insurance” brochure to increase all fonts in accordance with subparagraph 10 of this Stipulation and to edit the brochure to read: “This policy may affect insurance coverage already provided under ... other insurance policy.”
12. Respondent agrees to submit any additional changes to the “Your Storage Insurance” brochure for pre-approval before dissemination to self-storage tenants.
13. Respondent agrees to pay to the State of Michigan, through DIFS, a market conduct fee in the amount of \$50,000. Respondent agrees that monies are due within 30 days of the invoice date as indicated on the DIFS’ invoice.
14. Respondent agrees that failure to comply with the Order of the Chief Deputy Director entered in this matter by failing to pay the market conduct fee as set forth above shall result in the commencement of an action to suspend or revoke all licenses held by Respondent under the Code.
15. Respondent further agrees that the amount of the market conduct fee has been negotiated in return for the avoidance of further proceedings and certain promises and conditions, one of which is the timely payment of the market conduct fee. Should Respondent fail to pay the fee in accordance with the terms of this Stipulation and the Order, the parties agree that an action will commence to determine if the Respondent has, in fact, failed to pay, and if so, Respondent agrees that the market conduct fee will immediately double and shall be immediately due in full.

Stipulation To Entry of Order
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16. Respondent has had an opportunity to review this Stipulation and the Order and have the same reviewed by legal counsel.

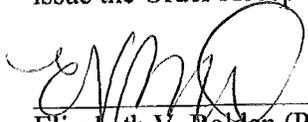
Bader Company
System ID No. 0035461

Date December 16, 2013

By: Maurice A Lee

Its: President

DIFS' Staff approves this Stipulation and recommends that the Chief Deputy Director enter and issue the Order Accepting Stipulation.



Elizabeth V. Bolden (P69865)
Department of Insurance and Financial Services
Office of General Counsel

Date Dec 18, 2013