

# STATE OF ILLINOIS



## Department of Insurance

IN THE MATTER OF  
THE EXAMINATION OF:

STANDARD MUTUAL INSURANCE COMPANY  
1028 SOUTH GRAND AVENUE WEST  
SPRINGFIELD, ILLINOIS 62704

### MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Bernie Sullivan, Examiner-In-Charge, and associates as the proper persons to examine the insurance business and affairs of Standard Mutual Insurance Company of Springfield, Illinois, and to make a full and true report to me of the examination made by them of Standard Mutual Insurance Company with a full statement of the condition and operation of the business and affairs of Standard Mutual Insurance Company with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Standard Mutual Insurance Company.



### IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office,  
Done at the City of Springfield, this 28<sup>th</sup> day of June, 2009.

*Michael T. McRath*

Michael T. McRath

Director

STATE OF ILLINOIS     )  
                                  ) SS  
COUNTY OF SANGAMON    )

I personally served a copy of the within Warrant by leaving  
said copy with MARK ROBERTS JR., at the hour of 9:00 AM  
on 8-4, A.D., 2009.

Orlando Sullivan Jr.  
Examiner



IN THE MATTER OF THE EXAMINATION OF

STANDARD MUTUAL INSURANCE COMPANY  
1028 SOUTH GRAND AVENUE WEST  
SPRINGFIELD, IL 62704

**MARKET CONDUCT EXAMINATION WARRANT**

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint Ellesen M. Letts, Martin P. Greene, Kevin T. Lee, and Kenya Jenkins-Wright as Examiners and Letts as Examiners to assist the Illinois Department of Insurance ("Department") in the completion of the market conduct examination of Standard Mutual Insurance Company, NAIC # 15199, (the "Company") by reviewing and completing the examination report prepared by Examiner in Charge, Bernie Sullivan, including the review of any objections or rebuttals submitted by the Company regarding the findings of such reports, and drafting of any related Stipulation and Consent Order for the review and approval of the Director. The costs of this examination shall be borne by the Company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of the Company.



***IN TESTIMONY WHEREOF***, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Chicago, this 26th day of September, 2012.

*Andrew Boron*

Andrew Boron

Director

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403, and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Louis Butler  
Staff Attorney

**Standard Mutual Insurance Company**

**MARKET CONDUCT RE-EXAMINATION REPORT**

**DATE OF RE-EXAMINATION:** August 3, 2009, through September 18, 2009

**EXAMINATION OF:** Standard Mutual Insurance Company  
(P & C Domestic)

**LOCATION:** 1028 South Grand Avenue West  
Springfield, IL 62704

**PERIOD COVERED BY  
RE-EXAMINATION:** April 1, 2008, through March 31, 2009

**EXAMINERS:** Bernie Sullivan Jr. LUTCF  
Examiner-in-Charge

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**I. COMPLIANCE:**

Standard Mutual Insurance Company ("Company") was previously the subject of a Market Conduct Examination completed on March 15, 2002. Based on the findings of that exam report, Stipulation and Consent Orders were issued. The following is a summary of the current examination findings. Listed below are the Orders as originally issued followed by a statement about whether the Company as a whole was found to be in substantial compliance with such Orders.

**ORDER #1:** Institute and maintain procedures whereby all commercial cancellations are handled in accordance with Section 143.16 of the Illinois Insurance Code [215 ILCS 5/143.16].

The Company is complying with this Order.

**ORDER #2:** Institute and maintain procedures whereby the loss information is provided at the same time as the termination notices issued on commercial policies as required by Section 143.10a of the Illinois Insurance Code [215 ILCS 5/143.10a].

The Company is complying with this Order.

**ORDER #3:** Institute and maintain procedures whereby all insurance policies are rated in accordance with the rates filed with the Illinois Department of Insurance and the Company's underwriting guidelines.

The Company is substantially complying with this Order.

**ORDER #4:** Institute and maintain procedures whereby the mine subsidence coverages are provided on insured properties or signed waivers procured as required by Section 805.1(a) of the Illinois Insurance Code [215 ILCS 5/805.1(a)].

The Company is substantially complying with this Order.

**ORDER #5:** Institute and maintain procedures to assure full compliance with Section 919.60(a) of the Illinois Administrative Code (50 Ill. Adm. Code 919.60(a)).

The Company is not complying with this Order.



## II. SUMMARY

1. **The Company was criticized for failing to rate twenty-six automobile new business policies in accordance with rates filed with the Department of Insurance creating one (1) undercharge of \$2.00 and twenty-five overcharges amounting to \$106.00.**

**A general trend criticism was issued in the automobile new business survey. This is a violation of Order # 3 of the Orders issued by the Director of Insurance, State of Illinois on July 25, 2002. Appropriate credits or refunds were processed during the examination.**

2. **The Company was criticized for failing to use the correct zone rate in one (1) residential fire new business policy causing an overcharge of \$11.00.**

**This is a violation of Order # 3 of the Orders issued by the Director of Insurance, State of Illinois on July 25, 2002. The appropriate credit was issued during the examination.**

3. **The Company was criticized under 215 ILCS 5/508.1 of the Illinois Insurance Code for failing to include the mine subsidence coverage in one (1) residential fire new business policy resulting in an undercharge of \$77.00.**

**This is a violation of Order # 4 of the Orders issued by the Director of Insurance on July 25, 2002.**

4. **The Company was criticized under 50 Ill. Adm. Code 919.80(c)(3)(A)(i) for failing to pay the correct amount of reimbursement for the tax, title and transfer fees in three (3) total losses claims resulting in underpayment totaling \$86.25.**

5. **The Company was criticized under 50 Ill. Adm. Code 919.80(c) for either failing to provide the insured with the information contained in the right of recourse letter (9 files) or failing to provide the letter within seven (7) days of the determination of the total loss (4 files).**

**A general trend criticism was issued in the total loss survey.**

6. **The Company was criticized under 50 Ill. Adm. Code 919.60(a) for issuing disbursement checks to the insured with the wording "final" on the check.**

**A general trend criticism was issued in the total loss survey. This is a violation of Order #5 of the Orders issued by the Director of Insurance, State of Illinois on July 25, 2002.**

### III. BACKGROUND:

#### Standard Mutual Insurance Company

The Company was incorporated and licensed on November 17, 1921, under the laws of Illinois and began business on November 21, 1921. Operations were conducted under the title Standard Mutual Casualty Company until March 16, 1956, when the present corporate name was adopted.

Standard Mutual is primarily a personal lines property and casualty company offering private passenger automobile and homeowner coverage. However, some commercial lines are provided which include property, workers compensation and other liability written on apartment dwellings, offices and light mercantile.

#### IV. METHODOLOGY:

The Market Conduct Examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants.

The following categories are the general areas examined:

1. Risk Selections
2. Underwriting
3. Claims

The review of these categories is accomplished through examination of individual claim files, written interrogatories and interviews with Company personnel. Each of these categories is examined for compliance with Division of Insurance rules and regulations and applicable state laws.

The report concerns itself with improper practices performed with such frequency to indicate general business practices. Individual criticisms are identified and communicated with the insurer, but not cited in the report if not indicative of a general trend, except to the extent that there were underpayments and/or overpayments.

The following method was used to obtain the required samples and to assure a methodical selection. Surveys were developed from Company generated Excel spreadsheets. Random statistical printout reports were generated by the examiners and presented to the Company for retrieval.

Claims were requested based on the settlement occurring within the period under examination.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 et seq.) and Part 919 (50 Ill. Adm. Code 919).

**Selection of Samples**

<b><u>Survey</u></b>	<b><u>Population</u></b>	<b><u># Reviewed</u></b>	<b><u>% Reviewed</u></b>
<b>Risk Selection:</b>			
<b>Commercial Cancellations</b>	13	13	100.00%
<b>Underwriting:</b>			
<b>Automobile New Business</b>	831	80	9.62%
<b>Homeowner New Business</b>	1003	80	7.97%
<b>Residential Fire New Business</b>	108	80	74.07%
<b>Claims:</b>			
<b>Total Losses</b>	339	90	26.54%

**V. FINDINGS:**

**A. Risk Selections:**

**1. Commercial Cancellations**

There were no criticisms in this survey

**B. Underwriting**

**1. Automobile New Business**

In twenty-six automobile new business policies (32.50% of 80 files reviewed) the Company failed to rate the policies in accordance with rates filed with the Department of Insurance creating one (1) undercharge of \$2.00 and twenty-five overcharges amounting to \$106.00.

A general trend criticism was issued. This is a violation of Order # 3 of the Orders issued by the Director of Insurance, State of Illinois on July 25, 2002. Refunds and credits were processed during the examination for all overcharges.

**2. Homeowners New Business**

There were no criticisms in this survey.

**3. Residential Fire New Business**

In one (1) residential fire new business policy (1.25% of the 80 files reviewed) the Company failed to use the correct zone rate causing an overcharge of \$11.00. A credit was issued during the examination for the overcharge.

This is a violation of Order # 3 of the Orders issued by the Director of Insurance, State of Illinois on July 25, 2002.

In one (1) residential fire new business policy (1.25% of the 80 files reviewed) the Company failed to include the mine subsidence coverage as required by 215 ILCS 5/805.1.

This is a violation of Order # 4 of the Orders issued by the Director of Insurance, State of Illinois on July 25, 2002.

**C. Claims**

**I. Total Losses**

In three (3) total losses claims (3.33% of 90 files reviewed) the Company failed to pay the correct amount of reimbursement for the tax, title and transfer fees as required by 50 Ill. Adm. Code 919.80(c)(3)(A)(i) resulting in underpayment totaling \$86.25. The Company refunded the appropriate underpayment amounts during the examination.

In thirteen total loss claims (14.14% of 90 files reviewed) the Company either failed to provide the insured with the information contained in the right of recourse letter (9 files) or failed to provide the right of recourse letter within seven (7) days of the determination of the total loss (4 files) as required by 50 Ill. Adm. Code 919.80(c).

In sixty-seven total loss files (74.44% of 90 files reviewed) the Company issued disbursement checks to the insured which contained the wording "final" in violation of 50 Ill. Adm. Code 919.60(a).

This is a violation of Order #5 of the Orders issued by the Director of Insurance, State of Illinois on July 25, 2002.

STATE OF ILLINOIS            )  
  ) ss  
COUNTY OF COOK            )

**Bernie Sullivan, being first duly sworn upon his oath, deposes and says:**

**That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Standard Mutual Insurance Company, NAIC #15199;**

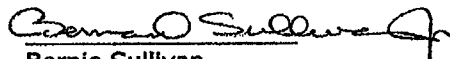
**That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;**

**That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;**

**That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;**

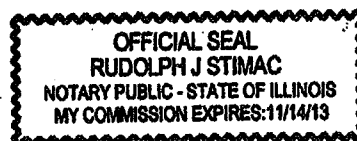
**That he was the Examiner-In-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;**

**That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the company.**

  
Bernie Sullivan  
Examiner-In-Charge

Subscribed and sworn to before me  
this 14<sup>th</sup> day of DECEMBER, 2012.

  
Notary Public





IN THE MATTER OF:

STANDARD MUTUAL INSURANCE COMPANY  
1028 SOUTH GRAND AVENUE WEST  
SPRINGFIELD, ILLINOIS 62704

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (Director) of the Illinois Department of Insurance (Department) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Standard Mutual Insurance Company (Company) is authorized under the insurance laws of this State and by the Director as a domestic stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 5/132, 401, 402 and 425 of the Illinois Insurance code (215 ILCS 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by or in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company.

WHEREAS, the Company is aware of and understands its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and



WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into the Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

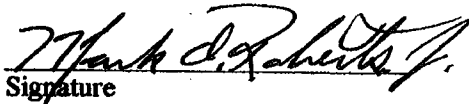
1. That the Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain procedures whereby all insurance policies are rated in accordance with the rates filed with the Illinois Department of Insurance and the Company's underwriting guidelines.
2. Institute and maintain procedures to assure all insureds with total loss claims are provided the informational letters commonly known as "Right of Recourse" and "Exhibit A" letters, as is outlined in 50 Ill. Adm. Code 919.80(c), 50 Ill. Adm. Code 919.80 (c)(2)(F) Right of Recourse and 50 Ill. Adm. Code 919.80(c), Exhibit A within seven (7) days of determination of the total loss.
3. Institute and maintain procedures whereby all first party paid and total loss paid claims settlement documents do not contain the wording "full or final" as mandated by 50 Ill. Adm. Code 919.60a.
4. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above three (3) Orders within 30 days of receipt of these Orders.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate action, including but not limited to levying additional fines and forfeitures, should the Company violate any provision of the Illinois Insurance Code, any regulation promulgated there under, or any provision of this Stipulation and Consent Order.

Standard Mutual Insurance Company

  
Signature

Mark O. Roberts, Jr.  
Name

**President**  
\_\_\_\_\_  
Title

Subscribed and sworn to before me this

16th day of December A. D. 2012.

Sara J. Dobron  
Notary Public



DEPARTMENT OF INSURANCE of the  
State of Illinois;

Date: January 4, 2013

Andrew Boron  
Andrew Boron  
Director



# Illinois Department of Insurance

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**PAT QUINN**  
Governor

**ANDREW BORON**  
Director

March 25, 2013

Mark Owen Roberts Jr.  
President  
Standard Mutual Insurance Company  
1028 South Grand Avenue West  
Springfield, IL 62704

RE: Standard Mutual Insurance Company  
Market Conduct Examination

Dear: Mr. Roberts:

This is in response to your December 26, 2012 letter on the above referenced matter. Standard Mutual has provided proof of compliance with Orders # 1 through Order # 4 in the Stipulation and Consent Order. Standard Mutual subsequently provided proof of compliance with Orders # 1 through Order # 4. These proofs of compliance have been reviewed and are satisfactory.

Accordingly, the Department is closing its file on this examination. A copy of the fully executed Stipulation and Consent is enclosed for your records. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Please contact me if you have any questions. I may be reached at 312-814-2420.

Yours Truly,

A handwritten signature in cursive script that reads "Louis Butler".

Louis Butler  
Deputy General Counsel