



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

November 22, 2016

John Amimendola, President
Grange Insurance Group
671 South High Street
Columbus, OH 43206-1014

**Re: Grange Indemnity Insurance Company, NAIC 10322
Grange Mutual Casualty Company, NAIC 14060
Trustgard Insurance Company, NAIC 40118
*Market Conduct Examination Report Closing Letter***

Dear Mr. Amimendola:

The Department has reviewed your Companies' proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Jack Engle".

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
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**MARKET CONDUCT EXAMINATION
OF
GRANGE INDEMNITY INSURANCE COMPANY
GRANGE MUTUAL CASUALTY COMPANY
TRUSTGARD INSURANCE COMPANY**

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: February 22, 2016 through July 15, 2016

EXAMINATION OF: Grange Indemnity Insurance Company
NAIC Number: 10322

Grange Mutual Casualty Company
NAIC Number: 14060

Trustgard Insurance Company
NAIC Number: 40118

LOCATION OF EXAMINATION: 671 South High Street
Columbus, Ohio 43206

320 West Washington Street
Springfield, Illinois 62767

PERIOD COVERED BY
EXAMINATION: December 1, 2014 through November 30, 2015

EXAMINERS: Sara Moler
Ron Cochran
Roger O. Henschen, Examiner-in-Charge

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I. SUMMARY

A comprehensive market conduct examination of the Grange Group (the “Company”) was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

The following represent general findings, however specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS						
Crit #	Statute/Rule	Description of Violation	Universe	Files Reviewed	# of Violations	Error %
1	50 Ill. Adm. Code 926.50	DOI Complaints: failed to maintain log as outlined in Exhibit A and as defined in Exhibit B	-	-	-	-
2	50 Ill. Adm. Code 926.40(b)(1)	DOI Complaints: failed to respond to all of the complaint issues	16	16	1	6.25%
3	215 ILCS 5/462b	Work Comp New Business: incorrect classification (undercharge of \$2,121.00)	48	48	1	2.08%
4	50 Ill. Adm. Code 919.80(b)(2)	PPA Total Losses: failed to send delay letter	184	79	13	16.46%
5	50 Ill. Adm. Code 919.80(c)	PPA Total Losses: failed to send Exhibit A	184	79	44	55.70%
6	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	PPA Total Losses: paid incorrect sales tax and/or fees (7 underpayments of \$1,139.27 paid and 18 overpayments of \$1,192.92)	184	79	25	31.65%
7	50 Ill. Adm. Code 919.30(c)	PPA Total Losses: detailed documentation missing	184	79	16	20.25%
8	50 Ill. Adm. Code 919.80(c)(2)	PPA Total Losses: failed to follow the methodologies of source used to determine value of the total loss	184	79	1	1.27%
12	50 Ill. Adm. Code 919.80(b)(2)	PPA First Party Collision Paid: failed to send delay letter	409	83	5	6.02%
13	50 Ill. Adm. Code 919.80(c)	PPA First Party Collision Paid: failed to send Exhibit A	409	83	1	1.20%
14	50 Ill. Adm. Code 919.30(c)	PPA First Party Collision Paid: detailed documentation missing	409	83	21	25.30%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Universe	Files Reviewed	# of Violations	Error %
16	215 ILCS 5/154.6(j)	PPA First Party Collision Paid: paint capping	409	83	2	2.41%
18	50 Ill. Adm. Code 919.50(a)	PPA First Party Collision Paid: payment not within 30 days	409	83	1	1.20%
19	215 ILCS 5/805.1(a)	Homeowner/Tenant New Business: no mine subsidence coverage when no waiver	1936	114	5	4.39%
20	215 ILCS 5/805.1(a)	Dwelling Fire New Business: no mine subsidence coverage when no waiver	105	79	1	1.27%
21	50 Ill. Adm. Code 754.10	Dwelling Fire New Business: failed to follow filed rules (17 undercharges of \$3,065.00)	105	79	20	25.32%
23	50 Ill. Adm. Code 919.80(b)(2)	PPA First Party Collision Closed Without Payment: failed to send delay letter	260	82	9	10.98%
24	50 Ill. Adm. Code 919.50(a)(1)	PPA First Party Collision Closed Without Payment: no Notice of Availability of the DOI on the denial letter	260	82	1	1.22%
26	50 Ill. Adm. Code 919.80(b)(3)	PPA Third Party Property Damage Paid: failed to send delay letter	560	105	3	2.86%
29	50 Ill. Adm. Code 919.30(c)	PPA Third Party Property Damage Paid: detailed documentation missing	560	105	16	15.24%
31	215 ILCS 5/143.19	PPA Company Initiated Cancellations: in effect 60 days and not one of valid reasons to cancel	60	60	7	11.67%
33	215 ILCS 5/143.17a(a)	Homeowner Nonrenewals: nonspecific reason on the notice of nonrenewal	98	71	2	2.82%
34	215 ILCS 5/143.10a(1)	Commercial Auto Monoline Company Initiated Cancellations: failed to send loss information	318	84	69	82.14%
35	215 ILCS 5/143.23	Commercial Auto Monoline Company Initiated Cancellations: failed to advise named insured of right to appeal and procedure to follow	318	84	55	65.48%
36	215 ILCS 5/143.16	Commercial Auto Monoline Company Initiated Cancellations: nonspecific reason on the notice of cancellation	318	84	56	66.67%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Universe	Files Reviewed	# of Violations	Error %
37	215 ILCS 5/143.16a	Commercial Auto Monoline Company Initiated Cancellations: not one of the reasons allowed for a mid-term cancellation	318	84	63	75.00%
39	215 ILCS 5/143.10a(1)	Commercial Auto Monoline Nonrenewals: failed to send loss information	152	79	78	98.73%
40	215 ILCS 5/143.17a(a)	Commercial Auto Monoline Nonrenewals: nonspecific reason on the notice of nonrenewal	152	79	59	74.68%
41	50 Ill. Adm. Code 919.30(c)	Homeowner Paid: detailed documentation missing	599	105	5	4.76%
42	50 Ill. Adm. Code 919.50(a)(1)	Homeowner Paid: failed to provide insured an explanation of lower offer or denial	599	105	10	9.52%
44	50 Ill. Adm. Code 919.50(a)(1)	Homeowner Closed Without Payment: no denial letter	244	82	10	12.20%
45	50 Ill. Adm. Code 919.80(d)(7)(B)	Homeowner Closed Without Payment: failed to send delay letter	244	82	3	3.66%
46	50 Ill. Adm. Code 919.30(c)	Homeowner Closed Without Payment: detailed documentation missing	244	82	14	17.07%
47	50 Ill. Adm. Code 919.80(b)(3)	PPA Third Party Property Damage Closed Without Payment: failed to send delay letter	137	76	5	6.58%
50	215 ILCS 5/143.17a(a)	Commercial Auto Package Nonrenewals: nonspecific reason on the notice of nonrenewal	43	43	35	81.40%
51	215 ILCS 5/143.10a(1)	Commercial Auto Package Nonrenewals: failed to send loss information	43	43	43	100.00%
52	50 Ill. Adm. Code 919.50(a)(2)	PPA Third Party Property Damage Closed Without Payment: no denial letter	137	76	2	2.63%
56	50 Ill. Adm. Code 919.50(a)(1)	Dwelling Fire Paid: no explanation to insured of denial or lower offer	44	44	8	18.18%
57	50 Ill. Adm. Code 919.30(c)	Dwelling Fire Paid: detailed documentation missing	44	44	4	9.09%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Universe	Files Reviewed	# of Violations	Error %
58	50 Ill. Adm. Code 919.50(a)	Dwelling Fire Paid: payment not offered/made in 30 days	44	44	3	6.82%
59	50 Ill. Adm. Code 919.80(d)(7)(B)	Dwelling Fire Paid: failed to send delay letter	44	44	1	2.27%
61	215 ILCS 5/397.1	Dwelling Fire Paid: failed to obtain a completed Tax and Demolition Form	44	44	4	9.09%
62	215 ILCS 5/397.1	Homeowner Paid: failed to obtain a completed Tax and Demolition Form	599	105	1	0.95%
63	50 Ill. Adm. Code 919.30(c)	Commercial Auto First Party Paid: detailed documentation missing	227	82	1	1.22%
64	215 ILCS 5/154.6(j)	Commercial Auto First Party Paid: paint capping	227	82	4	4.88%
66	215 ILCS 5/143.16	Commercial Auto Package Company Initiated Cancellations: nonspecific reason on the notice of cancellation	6	6	6	100.00%
67	215 ILCS 5/143.16a	Commercial Auto Package Company Initiated Cancellations: in effect 60 days and not one of valid reasons to cancel	6	6	5	83.33%
68	215 ILCS 5/143.10a(1)	Commercial Auto Package Company Initiated Cancellations: failed to send loss information	6	6	6	100.00%
69	215 ILCS 5/143.23	Commercial Auto Package Company Initiated Cancellations: failed to advise the named insured of right to appeal and procedure to follow	6	6	6	100.00%
70	215 ILCS 5/154.6(j)	Commercial Auto Third Party Property Damage Paid: paint capping	527	90	1	1.11%
71	215 ILCS 5/143b	Commercial Auto Subrogation: failed to return pro rata share of deductible (\$115.86 payment to insured)	33	33	1	3.03%
72	50 Ill. Adm. Code 919.30(c)	Dwelling Fire Closed Without Payment: detailed documentation missing	18	18	1	5.55%
74	215 ILCS 5/143.17a(a)	Commercial Work Comp Nonrenewals: nonspecific reason on the notice of nonrenewal	13	13	9	69.23%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Universe	Files Reviewed	# of Violations	Error %
78	215 ILCS 5/143.27	Homeowner Company Initiated Cancellations: no rehab letter to insured	78	78	6	7.69%
79	215 ILCS 5/143.17a(b)	Commercial Auto Monoline Renewals: no 60 day notice when 30% premium increase or change in coverages	978	113	2	1.77%
80	50 Ill. Adm. Code 9110.70(a)(2)	Work Comp Paid: no denial letter for lost time	154	99	1	1.01%
81	50 Ill. Adm. Code 9110.70(a)(3)	Work Comp Paid: failed to provide written explanation of info needed for determination of liability and why needed	154	99	3	3.03%
82	50 Ill. Adm. Code 919.30(c)	Commercial Auto Total Losses: detailed documentation missing (1 overpayment of \$23.00 and 6 underpayments totaling \$3,235.00. Payments have been made)	76	76	8	10.53%
83	50 Ill. Adm. Code 9110.70(a)(2)	Workers' Compensation Closed Without Payment: no denial letter sent	12	12	1	8.33%
Inter. #8	820 ILCS 305/19(o)	Workers' Compensation: failed to provide the insured employer loss information as required (from Company response to Interrogatory #8)	All Claims	All	All	100.00%

II. BACKGROUND

The following was the subject of the Market Conduct Exam:

GRANGE INSURANCE GROUP

Grange Mutual Casualty Company (GMCC) was incorporated under the laws of Ohio on March 25, 1935, and began business on April 20, 1935.

GMCC and its 100% owned property/casualty subsidiaries which include Trustgard Insurance Company (TIC) and Grange Indemnity Insurance Company (GIIC), participate in an intercompany pooling reinsurance arrangement whereby all transactions and balances in the underwriting accounts of the companies are pooled. GMCC specializes in private passenger automobile and homeowners multi-peril business. Approximately 50% of the Company's direct written premium represents private passenger automobile. A tiered pricing structure is utilized for automobile lines, which are written at ultra-preferred, preferred and standard rates. The group operates in ten states with approximately 44% of all direct written business written in the state of Ohio, particularly in suburban regions. Customer service and claims offices are maintained in Georgia, Illinois, Indiana, Kentucky, Michigan, Ohio, Pennsylvania, Tennessee and Virginia.

Trustgard Insurance Company (TIC) writes in Georgia, Indiana, Tennessee, Ohio, Illinois, Kentucky, Pennsylvania, South Carolina and Virginia. The Company's management team uses TIC to expand its personal and commercial lines business.

Grange Indemnity Insurance Company (GIIC) writes non-standard auto through GMCC's existing independent agency base in Ohio, Kentucky, Tennessee, Indiana, Illinois, Georgia and Pennsylvania. GIIC was created to facilitate the parent's strategic plan to expand its product lines and to provide greater pricing flexibility.

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Grange Mutual Casualty Company (GMCC)				
Line	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
01-Fire	67,212	74,445	0	-1,928
02.1-Allied lines	16,786	50,260	336,840	-118,963
03-Farmowners multi-peril	278,335	292,620	42,458	43,683
04-Homeowners multi-peril	544,063	585,029	174,531	174,005
05.1-Commercial multi-peril (non-liability portion)	8,220,505	8,510,933	2,209,009	1,993,824
05.2-Commercial multi-peril (liability portion)	7,942,539	8,107,768	4,061,830	6,158,506
09-Inland marine	125,400	133,653	84,064	86,622
12-Earthquake	5,059	6,661	0	0
16-Workers' compensation	2,755,114	3,123,170	1,320,091	641,568
17.1-Other liability-occurrence	1,483,026	1,620,909	10,635	1,145,812

17.2-Other liability-claims made	41,123	39,559	0	2,628
18-Products liability	3,701	3,499	0	128
19.2-Other private passenger auto liability	183,496	197,182	114,352	39,973
19.4-Other commercial auto liability	2,259,948	2,579,482	1,612,654	2,827,356
21.1-Private passenger auto physical damage	176,645	191,393	64,348	71,796
21.2-Commercial auto physical damage	650,685	747,010	431,663	418,734
26-Burglary and theft	-160	200	0	-30
Totals	24,753,477	26,263,773	10,462,475	13,483,714

Trustgard Insurance Company				
Line	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
01-Fire	490,496	503,451	466,961	419,819
02.1-Allied lines	351,068	363,790	120,697	114,537
04-Homeowners multi-peril	7,822,572	8,233,196	5,853,744	5,167,845
09-Inland marine	151,339	174,443	64,408	53,257
12-Earthquake	37,476	42,504	0	0
16-Workers' compensation	447,535	743,078	355,976	-58,437
17.1-Other liability-occurrence	185,814	197,804	0	35,976
19.2-Other private passenger auto liability	5,854,196	5,718,946	3,164,108	4,221,830
21.1-Private passenger auto physical damage	4,633,351	4,464,894	2,390,300	2,436,896
Totals	19,973,847	20,442,106	12,416,194	12,391,723

Grange Indemnity Insurance Company				
Line	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
19.2-Other private passenger auto liability	749,105	757,685	904,329	580,568
19.4-Other commercial auto liability	9,426,186	12,332,357	4,827,500	10,153,696
21.1-Private passenger auto physical damage	451,237	448,709	319,664	300,751
21.2-Commercial auto physical damage	3,146,089	3,936,497	2,170,430	2,129,948
Totals	13,772,617	17,475,248	8,221,923	13,164,963

III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The scope of this market conduct examination was limited to the following general areas:

1. Risk Selection
2. Underwriting
3. Claims
4. Complaints

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

The following method was used to obtain the required samples and to assure a statistically sound selection. Surveys were developed from Company generated Excel spreadsheets.

Risk Selection

Cancellations and nonrenewals of existing policyholders were requested on the basis of the effective date of the transaction falling within the period under examination. Cancellations and nonrenewals were reviewed for their compliance with statutory requirements, the accuracy and validity of reasons given and for any possible discrimination.

Underwriting

The underwriting of new applicants for coverage with the Company was selected based on the inception date of the policy falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, use of filed forms, for compliance with Company underwriting guidelines and to ensure that the coverage provided was as requested by the applicant.

Claims

Claims were requested based on the settlement occurring or the claim file being closed without payment within the period under examination.

All claims were reviewed for compliance with policy contracts and endorsements, and applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*), and Title 50 of the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*). Workers' compensation claims were also reviewed for compliance with the Worker's Compensation Act (820 ILCS 305/1 *et seq.*).

Complaints

Complaints were requested based on those received by the Company during the period under examination, and were reviewed for completion, accuracy and validity of the complaint. Complaints received by the Department of Insurance during the examination period and those received directly from the consumer were reviewed.

IV. SELECTION OF SAMPLE

	<u>Total Files</u>	<u># Reviewed</u>	<u>% Reviewed</u>
A. Risk Selection			
1. Private Passenger Auto Company Initiated Cancellations	60	60	100.00
2. Private Passenger Auto Non-Pay Cancellations	400	85	21.25
3. Private Passenger Auto Nonrenewals	20	20	100.00
4. Commercial Auto Monoline Company Initiated Cancellations	318	84	26.42
5. Commercial Auto Monoline Non-Pay Cancellations	499	40	8.02
6. Commercial Auto Monoline Nonrenewals	152	79	51.97
7. Commercial Auto Package Company Initiated Cancellations	6	6	100.00
8. Commercial Auto Package Non-Pay Cancellations	154	40	25.97
9. Commercial Auto Package Nonrenewals	43	43	100.00
10. Homeowner Company Initiated Cancellations	133	78	58.65
11. Homeowner Non-Pay Cancellations	724	50	6.91
12. Homeowner Nonrenewals	98	71	72.45
13. Dwelling Fire Company Initiated Cancellations	16	16	100.00
14. Dwelling Fire Non-Pay Cancellations	39	39	100.00
15. Dwelling Fire Nonrenewals	9	9	100.00
16. Work Comp Company Initiated Cancellations	1	1	100.00
17. Workers' Compensation Non-Pay Cancellations	17	17	100.00
18. Worker's Compensation Nonrenewals	13	13	100.00
19. Farmowner Cancellations	None	N/A	N/A
20. Farmowner Nonrenewals	None	N/A	N/A
21. Rescissions	None	N/A	N/A

B. Underwriting				
1.	Private Passenger Auto New Business	2463	110	4.47
2.	Homeowner New Business	1936	114	5.89
3.	Dwelling Fire New Business	105	79	75.24
4.	Workers' Compensation New Business	48	48	100.00
5.	Commercial Auto Monoline Renewals	978	113	11.55
6.	Commercial Auto Package Renewals	955	113	11.83
7.	Workers' Compensation Renewals	191	79	41.36
8.	Farmowner Renewals	74	40	54.05
9.	Producer Licensing-Commissions Paid	11,736	116	0.99
C. Claims				
1.	Private Passenger Auto First Party Median & Paid	409	83	20.29
2.	Private Passenger Auto First Party Closed Without Payment	260	82	31.54
3.	Private Passenger Auto Third Party Property Damage Median & Paid	560	105	18.75
4.	Private Passenger Auto Third Party Property Damage Closed Without Payment	137	76	55.47
5.	Private Passenger Auto Total Losses - First Party	184	79	42.93
6.	Private Passenger Auto First Party Subrogation	93	76	73.79
7.	Commercial Auto First Party Paid	227	82	36.12
8.	Commercial Auto First Party Closed Without Payment	117	76	64.96
9.	Commercial Auto Third Party Property Damage Paid	527	90	17.08
10.	Commercial Auto Third Party Property Damage Closed Without Payment	206	82	39.81
11.	Commercial Auto Total Losses - First Party	76	76	100.00
12.	Commercial Auto Subrogation	33	33	100.00
13.	Homeowner Paid	599	105	17.53
14.	Homeowner Closed Without Payment	244	82	33.61
15.	Dwelling Fire Paid	44	44	100.00
16.	Dwelling Fire Closed Without Payment	18	18	100.00
17.	Workers' Compensation Paid	128	76	59.38
18.	Workers' Compensation Closed Without Payment	12	12	100.00
D. Complaints				
1.	Department of Insurance Complaints	16	16	100.00
2.	Consumer Complaints	NONE	N/A	N/A

V. FINDINGS

A. Risk Selection

1. Private Passenger Auto Company Initiated Cancellations

In seven (7) files (11.67% of the 60 reviewed), the Company canceled the policy for reasons other than specified in 215 ILCS 5/143.19 when the policy had been in effect for 60 days or more.

2. Private Passenger Auto Non-Pay Cancellations

There were no criticisms.

3. Private Passenger Auto Nonrenewals

There were no criticisms.

4. Commercial Auto Monoline Company Initiated Cancellations

In 69 files (82.14% of the 84 examined) the Company failed to provide loss information in violation of 215 ILCS 5/143.10a(1).

In 63 files (75.00% of the 84 examined), the Company was in violation of 215 ILCS 5/143.16a for canceling the policy for reasons other than specified when the policy had been in effect 60 days or more.

In 56 files (66.67% of the 84 examined) the Company was in violation of 215 ILCS 5/143.16 for failing to provide a specific explanation of the reason or reasons for cancellation.

In 55 files (65.48% of the 84 examined) the Company failed to advise the named insured of the right to appeal and the procedure to follow for such appeal when canceling the policy in violation of 215 ILCS 5/143.23.

5. Commercial Auto Monoline Non-Pay Cancellations

There were no criticisms.

6. Commercial Auto Monoline Nonrenewals

In 78 files (98.73% of the 79 examined) the Company failed to provide loss information to the named insured at the same time as the notice of cancellation in violation of 215 ILCS 5/143.10a(1).

In 59 files (74.68% of the 79 examined) the Company was in violation of 215 ILCS 5/143.17a(a) for failing to provide a specific explanation of the reason or reasons for nonrenewal.

7. Commercial Auto Package Company Initiated Cancellations

In six (6) files (100.00% of the six (6) examined) the Company failed to provide loss information to the named insured at the same time as the notice of cancellation in violation of 215 ILCS 5/143.10a(1).

In six (6) files (100.00% of the six (6) examined) the Company was in violation of 215 ILCS 5/143.16 for failing to provide a specific explanation of the reason or reasons for cancellation.

In six (6) files (100.00% of the six (6) examined) the Company failed to advise the named insured of the right to appeal and the procedure to follow for such appeal when canceling the policy in violation of 215 ILCS 5/143.23.

In five (5) files (83.33% of the six (6) examined), the Company was in violation of 215 ILCS 5/143.16a for canceling the policy for reasons other than permitted when the policy had been in effect 60 days or more.

8. Commercial Auto Package Non-Pay Cancellations

There were no criticisms.

9. Commercial Auto Package Nonrenewals

In 43 files (100.00% of the 43 examined) the Company failed to provide loss information to the named insured at the same time as the notice of cancellation in violation of 215 ILCS 5/143.10a(1).

In 35 files (81.40% of the 43 examined) the Company was in violation of 215 ILCS 5/143.17a(a) for failing to provide a specific explanation of the reason or reasons for nonrenewal.

10. Homeowner Company Initiated Cancellations

In six (6) files (7.69% of the 78 examined) the Company was in violation of 215 ILCS 5/143.27 for failing to provide the named insured with a notice of rehabilitation prior to canceling the policy.

11. Homeowner Non-Pay Cancellations

There were no criticisms.

12. Homeowner Nonrenewals

In two (2) files (2.82% of the 71 examined) the Company was in violation of 215 ILCS 5/143.17a(a) for failing to provide a specific explanation of the reason or reasons for nonrenewal.

13. Dwelling Fire Company Initiated Cancellations

There were no criticisms.

14. Dwelling Fire Non-Pay Cancellations

There were no criticisms.

15. Dwelling Fire Nonrenewals

There were no criticisms.

16. Workers' Compensation Company Initiated Cancellations

There were no criticisms.

17. Workers' Compensation Non-Pay Cancellations

There were no criticisms.

18. Workers' Compensation Nonrenewals

In nine (9) files (69.23% of the 13 examined) the Company was in violation of 215 ILCS 5/143.17a(a) for failing to provide a specific explanation of the reason or reasons for nonrenewal.

19. Farmowner Cancellations

There were no Farmowner Cancellations

20. Farmowner Nonrenewals

There were no Farmowner Nonrenewals.

21. Rescissions

There were no Rescissions.

B. Underwriting

1. Private Passenger Auto New Business

There were no criticisms

2. Homeowner New Business

In five (5) files (4.39% of the 114 examined) the Company failed to provide mine subsidence coverage in violation of 215 ILCS 5/805.1(a).

3. Dwelling Fire New Business

In one (1) file (1.27% of the 79 examined) the Company failed to provide mine subsidence coverage in violation of 215 ILCS 5/805.1(a).

In 20 files (25.32% of the 79 files examined) the Company was in violation of 50 Ill. Adm. Code 754.10 for failing to follow the rules that were filed with the Illinois Department of Insurance for applying the rates, rating plans, classifications and/or other schedules as per underwriting guidelines resulting in 17 undercharges totaling \$3,065.00.

4. Workers' Compensation New Business

In one (1) file (2.08% of the 48 examined) the Company failed to properly classify one (1) policy in violation of 215 ILCS 5/462b creating an annual undercharge of \$2,121.00.

5. Commercial Auto Monoline Renewals

In two (2) files (1.77% of the 113 examined), the Company was criticized under 215 ILCS 5/143.17a(b) for failing to provide the insured at least 60 days notice prior to the renewal or anniversary date when there was an increase in premium of 30% or more or with changes in deductibles or coverage that materially altered the policy.

6. Commercial Auto Package Renewals

There were no criticisms.

7. Workers' Compensation Renewals

There were no criticisms.

8. Farmowner Renewals

There were no criticisms.

9. Producer Licensing - Commissions Paid

There were no criticisms.

C. Claims

1. Private Passenger Auto First Party Median & Paid

The median payment period was nine (9) days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	71	85.5
31-60	11	13.3
61-90	0	0.0
91-180	0	0.0
181-365	1	1.2
<u>over 365</u>	<u>0</u>	<u>0.00</u>
Total	83	100.00

In five (5) files (6.02% of the 83 examined) the claim remained unresolved for more than 40 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the insured. In those five (5) files, the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(b)(2).

In 21 files (25.30% of the 83 examined) the Company was in violation of 50 Ill. Adm. Code 919.30(c) for failing to have detailed documentation in the claim file preventing reconstruction of the Company's activities.

In two (2) files (2.41% of the 83 examined) the Company was in violation of 215 ILCS 5/154.6(j) for establishing unreasonable caps or limits on paint or materials.

In the one (1) file that was a total loss (1.20% of the 83 examined), the Company failed to send Exhibit A to the insured in violation of 50 Ill. Adm. Code 919.80(c).

In one (1) file (1.20% of the 83 examined) the Company was in violation of 50 Ill. Adm. Code 919.50(a) for failing to make the claim payment promptly, within 30 days, when the amount was determined and not in dispute.

2. Private Passenger Auto First Party Closed Without Payment

In nine (9) files (10.98% of the 82 examined) the claim remained unresolved for more than 40 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the insured. In those nine (9) files, the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(b)(2).

In one (1) file (1.22% of the 82 examined) the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) for failing to include the Notice of Availability of the Department of Insurance on the letter of denial.

3. Private Passenger Auto Third Party Property Damage Median & Paid

105 files were used to compute the median. The median payment period was 15 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	71	67.6
31-60	15	14.3
61-90	4	3.8
91-180	8	7.6
181-365	5	4.8
<u>over 365</u>	<u>2</u>	<u>1.9</u>
Total	105	100.00

(When taking out arbitration, litigation and subrogation files, the median was 11 days with 79 files.)

In three (3) files (2.86% of the 105 examined) the claim remained unresolved for more than 60 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the third party. In those three (3) files, the Company failed to provide a delay letter as outlined in 50 Ill. Adm. Code 919.80(b)(3).

In 16 files (15.24% of the 105 examined), the claim file failed to contain detailed documentation preventing reconstruction of the Company's activities in violation of 50 Ill. Adm. Code 919.30(c).

4. Private Passenger Auto Third Party Property Damage Closed Without Payment

In five (5) files (6.58% of the 76 examined) the claim remained unresolved for more than 60 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the third party.

In those five (5) files, the Company failed to provide a delay letter as outlined in 50 Ill. Adm. Code 919.80(b)(3).

In two (2) files (2.63% of the 76 files examined), the Company failed to send the third party a denial letter in violation of 50 Ill. Adm. Code 919.50(a)(2).

5. Private Passenger Auto Total Losses - First Party

In 13 files (16.46% of the 79 examined) the claim remained unresolved for more than 40 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the insured. In those 13 files, the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(b)(2).

In 44 files (55.70% of the 79 examined) the Company failed to provide the insured with, at a minimum, the information contained in Exhibit A and provide that information within seven (7) days of the insured vehicle being determined a total loss as required by 50 Ill. Adm. Code 919.80(c).

In 25 files (31.65% of the 79 examined) the Company failed to pay the correct title and transfer fees or failed to pay sales tax and/or title and transfer fees when due. The Company was in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i) creating seven (7) underpayments totaling \$1,192.92 and 18 overpayments totaling \$1,139.27. The Company made payment on the seven (7) underpayments.

In 16 files (20.25% of the 79 examined), detailed documentation was missing in the claim file preventing reconstruction of the Company's activities in violation of 50 Ill. Adm. Code 919.30(c).

In one (1) file (1.27% of the 79 examined), the company failed to correctly use methodologies of the source which determines the market value of the total loss vehicle in violation of 50 Ill. Adm. Code 919.80(c)(2).

6. Private Passenger Auto First Party Subrogation

There were no criticisms.

7. Commercial Auto First Party Paid

In one (1) file (1.22% of the 82 examined), detailed documentation was missing in the claim file preventing reconstruction of the Company's activities in violation of 50 Ill. Adm. Code 919.30(c).

In four (4) files (4.88% of the 82 examined), the Company was in violation of 215 ILCS 5/154.6(j) for establishing unreasonable caps or limits on paint or materials.

8. Commercial Auto First Party Closed Without Payment

There were no criticisms.

9. Commercial Auto Third Party Property Damage Paid

In one (1) file (1.11% of the 90 examined), the Company was in violation of 215 ILCS 5/154.6(j) for establishing unreasonable caps or limits on paint or materials.

10. Commercial Auto Third Party Property Damage Closed Without Payment

There were no criticisms.

11. Commercial Auto Total Losses - First Party

In eight (8) files (10.53% of the 76 examined), detailed documentation was missing in the claim file preventing reconstruction of the Company's activities in violation of 50 Ill. Adm. Code 919.30(c). The violation created six (6) underpayments totaling \$3,235.00 and one (1) overpayment of \$23.00. The Company has made the payments.

12. Commercial Auto Subrogation

In one (1) file (3.03% of the 33 examined), the Company was in violation of 215 ILCS 5/143b for failing to return to the insured pro rata share of the deductible after recovering from the third party carrier, creating an underpayment of \$115.86. The Company made payment to the insured.

13. Homeowner Paid

In 10 files (9.52% of the 105 examined), the Company failed to provide an explanation of the basis of the lower offer or denial to the first party within 30 days after determination of liability was completed in violation of 50 Ill. Adm. Code 919.50(a)(1).

In five (5) files (4.76% of the 105 examined), detailed documentation was missing in the claim file preventing reconstruction of the Company's activities in violation of 50 Ill. Adm. Code 919.30(c).

In one (1) file (0.95% of the 105 examined), the structure loss exceeded \$25,000 and required the Company, prior to making payment, to receive a certificate from the insured that there were no delinquent property taxes and no unpaid demolition expenses, or a certificate indicating the amount of delinquent property taxes and unpaid incurred demolition expenses. The Company was in violation of 215 ILCS 5/397.1.

14. Homeowner Closed Without Payment

In three (3) files (3.66% of the 82 examined) the claim remained unresolved for more than 75 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the insured. In those three (3) files, the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

In 10 files (12.20% of the 82 examined), the Company failed to provide an explanation of the basis of the lower offer or denial or partial denial to the first party within 30 days after determination of liability was completed which is a violation of 50 Ill. Adm. Code 919.50(a)(1).

In 14 files (17.07% of the 82 examined), detailed documentation was missing in the claim file preventing reconstruction of the Company's activities in violation of 50 Ill. Adm. Code 919.30(c).

15. Dwelling Fire Paid

In one (1) file (2.27% of the 44 examined) the claim remained unresolved for more than 75 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the insured. In the one (1) file, the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

In eight (8) files (18.18% of the 44 examined), the Company failed to provide an explanation of the basis of the lower offer or denial or partial denial to the first party within 30 days after determination of liability was completed which is a violation of 50 Ill. Adm. Code 919.50(a)(1).

In four (4) files (9.09% of the 44 examined), the structure loss exceeded \$25,000 and required the Company, prior to making payment, to receive a certificate from the insured that there were no delinquent property taxes and no unpaid demolition expenses, or a certificate indicating the amount of delinquent property taxes and unpaid incurred demolition expenses. The Company was in violation of 215 ILCS 5/397.1.

In four (4) files (9.09% of the 44 examined), detailed documentation was missing in the claim file preventing reconstruction of the Company's activities in violation of 50 Ill. Adm. Code 919.30(c).

In three (3) files (6.82% of the 44 examined), the Company failed to offer payment within 30 days after affirmation of liability when the amount of the claim was determined and not in dispute. The Company was in violation of 50 Ill. Adm. Code 919.50(a).

16. Dwelling Fire Closed Without Payment

In one (1) file (5.55% of the 18 examined), detailed documentation was missing in the claim file preventing reconstruction of the Company's activities in violation of 50 Ill. Adm. Code 919.30(c).

17. Workers' Compensation Paid

In one (1) file (1.01% of the 99 examined), the Company failed to send the injured employee a denial letter for lost time. This was a violation of 50 Ill. Adm. Code 9110.70(a)(2).

In three (3) files (3.03% of the 99 examined), the Company failed to provide the injured employee a written explanation of information needed to make a determination on liability and why such information was needed. The Company was in violation of 50 Ill. Adm. Code 9110.70(a)(3).

18. Worker's Compensation Closed Without Payment

In one (1) file (8.33% of the 12 examined), the company failed to provide a written explanation of denial of payment for TTD benefits. The company was in violation of 50 Ill. Adm. Code 9110.70(a)(2).

D. Complaints

1. Department of Insurance Complaints

16 complaints were examined. The Company was in violation of 50 Ill. Adm. Code 926.50, as it failed to maintain the complaint log as outlined in Exhibit A and as defined in Exhibit B.

In one (1) file (6.25% of the 16 examined), the Company was in violation of 50 Ill. Adm. Code 926.40(b)(1). The Company failed to address all of the issues and concerns in the complaint.

2. Consumer Complaints

There were no Consumer Complaints.

VI. INTERRELATED FINDINGS

1. From the response to Interrogatory #8, the Company was in violation of 820 ILCS 305/19(o) for failing to notify each insured employer by the 15th day of each month of any workers' compensation compensable claim incurred during the preceding month and the amounts paid or reserved on the claim, including a summary of the claim and a brief statement of the reasons for compensability. The Company also failed to furnish the insured employer a cumulative report of all claims incurred during the calendar year or continued from the previous year within 30 days after the end of the calendar year. The Company provided loss information only upon request.
2. During the course of the examination, the examiners discovered that during the relevant period there were computer errors that affected Workers' Compensation and Commercial Auto Package Renewals. In Workers' Compensation Renewals, 48 of 79 files indicated on the declarations page incorrect Work Comp Fund Fees, however, the total premiums charged were correct. The Company notified their IT Department in order to fix the calculation issues. In the Commercial Auto Package Renewals, 15 of 113 files reviewed did not have Underinsured and Uninsured liability limits listed on the declarations page, but did have premiums charged for the coverage. The Company informed the examiners there was a computer glitch. The Company addressed these two (2) issues with programming and their IT Department while the examiners were on site.

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Roger Henschen, being first duly sworn upon his/her 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 Grange Indemnity Insurance Company NAIC 10322, Grange Mutual Casualty Company NAIC 14060 and Trustgard Insurance Company NAIC 40118.

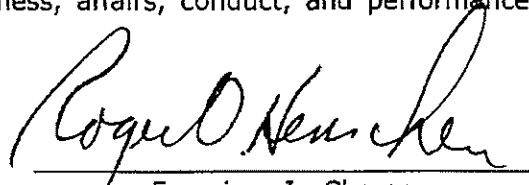
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Companies with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Companies' business and affairs and the manner in which the Companies conduct their business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Companies nor any of the Companies' affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated 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 Companies pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That she/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 Companies 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 Companies.


Examiner-In-Charge

Subscribed and sworn to before me
this 22nd day of July, 2016


Notary Public



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

GRANGE INDEMNITY INSURANCE COMPANY
GRANGE MUTUAL CASUALTY COMPANY
TRUSTGARD INSURANCE COMPANY
671 SOUTH HIGH STREET
COLUMBUS, OH 43206

STIPULATION AND CONSENT ORDER

WHEREAS, the Acting Director ("Acting 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, Grange Indemnity Insurance Company, NAIC 10322, Grange Mutual Casualty Company, NAIC 14060, and Trustgard Insurance Company, NAIC 40118, collectively referred to as "the Company", are authorized under the insurance laws of this State and by the Acting Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 et seq.), the Worker's Compensation Act (820 ILCS 305/1 et seq.) and Department Regulations (50 Ill. Adm. Code 101 et seq.); and

WHEREAS nothing herein contained, nor any action taken by the Company 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; and

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

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

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Acting 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 Department Regulations.

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

1. Institute and maintain policies and procedures whereby the Company shall provide loss information for the three (3) previous policy years to the insured with the notice of cancellation or nonrenewal as required by and outlined in 215 ILCS 5/143.10a(1).
2. Institute and maintain policies and procedures whereby the Company shall cancel a casualty policy that has been in effect for 60 days or more only for reasons specified in 215 ILCS 5/143.16a.
3. Institute and maintain policies and procedures whereby the Company shall provide the insured a specific explanation of the reason or reasons for cancellation on the notice of cancellation as required by 215 ILCS 5/143.16.
4. Institute and maintain policies and procedures whereby the Company shall provide the insured a specific explanation of the reason or reasons for nonrenewal on the notice of nonrenewal as required by 215 ILCS 5/143.17a(a).
5. Institute and maintain policies and procedures whereby the Company shall cancel an automobile insurance policy that has been in effect for 60 days or more only for reasons specified in 215 ILCS 5/143.19.
6. Institute and maintain policies and procedures whereby the Company shall advise the insured of the right to appeal and the procedure to follow for such appeal when canceling the policy as required by and outlined in 215 ILCS 5/143.23.

7. Institute and maintain policies and procedures whereby the Company shall ensure claims are settled for a reasonable amount by not placing unreasonable thresholds, caps or limits on paint materials, as required by 215 ILCS 5/154.6(j).
8. Institute and maintain policies and procedures whereby the Company shall obtain the required certificate prior to paying a claim for loss by fire when the structure loss exceeds \$25,000 as required by 215 ILCS 5/397.1.
9. Institute and maintain policies and procedures whereby the Company shall follow the rules filed with the Illinois Department of Insurance when issuing a Dwelling Fire policy as required by 50 Ill. Adm. Code 754.10.
10. Institute and maintain policies and procedures whereby the Company shall ensure a written explanation of the basis for denial is provided to the employee in workers' compensation claims as required by 50 Ill. Adm. Code 9110.70(a)(2).
11. Institute and maintain policies and procedures whereby the Company shall maintain detailed documentation in a claim file in order to permit reconstruction of the Company's activities relative to the claim as required by 50 Ill. Adm. Code 919.30(c).
12. Institute and maintain policies and procedures whereby the Company shall provide the insured an explanation of the basis of the lower offer or denial within 30 days after determination of liability as required 50 Ill. Adm. Code 919.50(a)(1).
13. Institute and maintain policies and procedures whereby the Company shall provide the insured with a reasonable written explanation for the delay when a claim remains unresolved for more than 40 days as required by 50 Ill. Adm. Code 919.80(b)(2).
14. Institute and maintain policies and procedures whereby the Company shall provide the insured with, at a minimum, the information contained in Exhibit A, within seven (7) days of determination of the total loss as required by 50 Ill. Adm. Code 919.80(c).
15. Institute and maintain policies and procedures whereby the Company shall reimburse the insured the applicable sales tax and transfer and title fees as required by 50 Ill. Code 919.80(c)(3)(A)(i).
16. Institute and maintain policies and procedures whereby the Company shall notify the insured employer by the 15th day of each month of any workers' compensation compensable claim incurred during the preceding month and the amounts paid or reserved including a summary and brief statement of the reasons for compensability. The company shall also furnish the insured employer a cumulative report of all claims incurred during the calendar year or continued from the previous year within 30 days after the end of the year as required by 820 ILCS 305/19(o).
17. Submit to the Acting Director of Insurance, State of Illinois, proof of compliance with the above sixteen (16) orders within 30 days of execution of this Order.
18. Pay to the Acting Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$59,100.00 to be paid within 30 days of execution of this Order.

NOTHING contained herein shall prohibit the Acting Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of

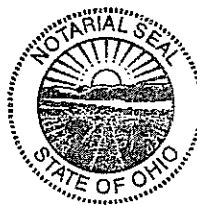
GRANGE INDEMNITY INSURANCE COMPANY, GRANGE MUTUAL CASUALTY COMPANY and TRUSTGARD INSURANCE COMPANY

Lavawn D. Coleman
Signature

Lavawn D. Coleman
Name

EVP, Secretary + General Counsel
Title

Subscribed and sworn to before me this
26 day of October 2016.



BETH WILLIAMS MURPHY
Attorney at Law
Notary Public, State of Ohio
My Commission Has No Expiration
Section 147.03 R.C.

[Signature]
Notary Public

DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 10/27/16

Anne Melissa Dowling
Anne Melissa Dowling
Acting Director

