



# Illinois Department of Insurance

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Bruce Rauner  
Governor

Anne Melissa Dowling  
Acting Director

August 1, 2016

Edward James Largent, President  
American Select Insurance Company  
Westfield Insurance Company  
Westfield National Insurance Company  
One Park Circle  
Westfield Center, OH 44251-5001

**Re: American Select Insurance Company, NAIC 19992**  
**Westfield Insurance Company, NAIC 24112**  
**Westfield National Insurance Company, NAIC 24120**  
***Market Conduct Examination Report Closing Letter***

Dear Mr. Largent:

On June 23, 2016, the Department sent your Companies draft copies of the examination reports for American Select Insurance Company, Westfield Insurance Company and Westfield National Insurance Company. On August 1, 2016, the Department received correspondence from John Batchelder, indicating your Companies are in agreement with the findings contained in each report.

Enclosed with this letter is a copy of each verified examination report. The Department has completed the Market Conduct examination of the Companies and is closing its files on these exams.

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

Please contact me if you have any questions.

Sincerely,

Jack Engle, MCM  
Assistant Deputy Director-Market Conduct and Analysis  
Illinois Department of Insurance  
320 West Washington- 5th Floor  
Springfield, IL 62767  
217-558-1058  
E-mail: Jack.Engle@Illinois.gov

cc: John Batchelder

**WESTFIELD NATIONAL INSURANCE COMPANY**

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: December 19, 2014 through February 16, 2016

EXAMINATION OF: Westfield National Insurance Company  
NAIC Number: 24120

LOCATIONS: 1 Park Circle  
P.O. Box 5001  
Westfield Center, OH 44251-5001

PERIOD COVERED BY  
EXAMINATION: June 1, 2014 through May 31, 2015

EXAMINERS: Phillip Chesson  
Robert McGee  
Josephine Sitter  
Donna Lee Williams  
J. Joseph Cohen, Examiner-in-Charge

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## I. SUMMARY

A comprehensive market conduct examination of ten lines of business of Westfield National Insurance Company was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

The following table represents general findings, with specific details in each section of the report.

<b><u>TABLE OF TOTAL VIOLATIONS</u></b>						
<b>Crit #</b>	<b>Statute/Rule</b>	<b>Description of Violations</b>	<b>Population</b>	<b>Files Reviewed</b>	<b># of Violations</b>	<b>Error %</b>
1	50 Ill. Adm. Code 919.80(b)(3)	The Company failed to provide a delay letter in claims unresolved for more than 60 days (or three (3) instances out of three (3) files where a delay letter was required, for an error percentage of 100%). (Other Private Passenger Automobile Liability-3 <sup>rd</sup> Party-Property Damage-Paid)	148	76	3	3.95%
4	50 Ill. Adm. Code 919.80(b)(2)	The Company failed to provide a delay letter in claims unresolved for more than 40 days (or three (3) instances out of three (3) files where a delay letter was required, for an error percentage of 100%). (Private Passenger Automobile-Physical Damage-1 <sup>st</sup> Party-Paid)	380	82	3	3.66%

## II. BACKGROUND

### Westfield National Insurance Company (NAIC #24120)

Westfield National Insurance Company was founded in 1968 and became licensed to sell insurance in Illinois in 1969. It is an Ohio domestic stock company owned by the parent company, Ohio Farmers Insurance Company. The Ohio Farmers group of companies (NAIC Group Code: 0228) are multi-line property and casualty insurance companies and market personal lines insurance products through independent agencies in ten states and commercial lines products in twenty-one states, mostly in the Midwest and South. The group markets both personal lines and commercial lines in Illinois.

The Westfield National Insurance Company's 2014 NAIC Annual Statement, Statutory Page 14 (Illinois), reflects the following for the lines of business examined.

Line	Direct premiums written	Direct premiums earned	Direct losses paid	Direct losses incurred
Fire	\$9,253	\$7,085	\$0	\$210
Allied Lines	\$30,721	\$24,728	\$0	\$1,949
Commercial multiple peril (non-liability portion)	\$29,726	\$17,406	\$0	\$1,069
Commercial multiple peril (liability portion)	\$72,374	\$31,601	\$3,077	\$12,415
Workers' compensation	\$1,387,451	\$966,176	\$799,950	\$72,230
Other liability - Occurrence	\$401,202	\$396,476	\$70,000	\$372,502
Other private passenger auto liability	\$2,777,093	\$2,997,606	\$2,441,156	\$2,642,736
Other commercial auto liability	\$52,243	\$22,133	\$2,025	\$14,878
Private passenger auto physical damage	\$2,666,891	\$2,819,786	\$1,611,047	\$1,608,515
Commercial auto physical damage	\$18,416	\$8,245	\$1,122	\$1,906
TOTALS (All lines above)	\$7,445,370	\$7,291,242	\$4,928,377	\$4,728,410
TOTALS (All lines including the above)	\$12,421,771	\$12,583,218	\$10,212,811	\$8,903,837

### 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 reviewed the following general areas:

1. Operations and Management
2. Complaint Handling
3. Producer Licensing
4. Risk Selection
5. Underwriting
6. Claims

The review of the categories was accomplished through examination of material related to Company operations and management, complaint files, producer lists, risk selection files, underwriting files and claim files, as well as interviews and Company responses to the Coordinator's Handbook, information requests and criticisms. Each of the categories was examined for compliance with ILDOI regulations and applicable state laws.

The following method was used to obtain the required samples and to ensure a statistically sound selection: Surveys were developed from Company-generated Excel spreadsheets. The Company was requested to provide separate spreadsheets for commercial files and personal files in lines of business that included both. Random statistical file selections were generated by the examiners from these spreadsheets. In the event lines of business were combined for review, such as some commercial reviews, a random selection of files was made on a proportional basis. In the event the number of files was too low for a random sample, the sample consisted of the universe of files.

Ten of the Company's lines of business were reviewed: Fire, Allied Lines, Commercial Multi-peril non-Liability, Commercial Multi-peril Liability, Workers' Compensation, Other Liability-Occurrence, Other Private Passenger Automobile Liability, Other Commercial Automobile Liability, Private Passenger Automobile Physical Damage and Commercial Automobile Physical Damage.

The Company is a subsidiary of Ohio Farmers Insurance Company. Two other companies in this group, Westfield Insurance Company and American Select Insurance Company, share the same platforms and processes. All three companies were examined in conjunction with one another with separate reports being written.



### Operations and Management

A review was conducted of the Company's underwriting and claims guidelines and procedures, policy forms, third party vendor oversight, internal audits, certificates of authority, previous market conduct examinations and annual statements. These documents were reviewed for compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code.

There were no exceptions noted.

### Complaint Handling

The Company was requested to identify all consumer and Illinois Department of Insurance (ILDOI) complaints received during the examination period and to provide copies of the complaint logs. All complaint files and logs were received. These documents and files were reviewed for compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code. The Company reported no ILDOI complaints.

There were no exceptions noted.

### Producer Licensing

The Company was requested to provide a list of all producers licensed to do business in Illinois and a list of those producers paid commissions in Illinois during the examination period. The Company only contracts with and pays commissions to agencies, rather than individuals. The Company identified the universe of producers and provided multiple spreadsheets. A sample of the listed producers was reviewed in comparison to the State of Illinois licensing database and for compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code.

There were no exceptions noted.

### Risk Selection

The Company was requested to provide a list of all policies in the following categories during the examination period: Nonrenewals, Cancellations I (Company initiated cancellations), and Cancellations II (cancellations for non-pay). The sample files were reviewed to ensure that the policies were processed in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code. The review included compliance with statutory requirements, the accuracy and validity of the reason(s) given for the action taken and any possible unfair discrimination.

There were no exceptions noted.

## Underwriting

The underwriting review of applicants for coverage with the Company was selected based on the inception or renewal date of the policy falling within the period under examination. The policies were reviewed for rating accuracy, use of filed rates, use of filed forms, compliance with Company underwriting guidelines and to ensure that the coverage provided was as requested by the applicant. This business was also reviewed to determine if solicitations were made by duly licensed producers.

The Company was requested to manually rate twenty (20) files from the sample in each line of business. The examination of these files revealed no rating errors in the policies so the rating review was terminated. All files in the sample were reviewed for other underwriting standards.

There were no exceptions noted.

## Claims

Claims were requested based on the settlement occurring or the claim file being closed without payment within the period under examination. The claims were separated between personal lines and commercial business, as well as first party claims and liability to third parties for property damage.

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 of Title 50 of the Illinois Administrative Code (50 Ill. Adm. Code 919).

#### IV. SELECTION OF SAMPLE

<u>Surveys</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
<b>COMPLAINTS</b>			
ILDOI Complaints	0	0	N/A
Consumer Complaints	1	1	100.00%
<b>PRODUCER LICENSING</b>			
Producer Licensing	1521	115	8.22%
<b>RISK SELECTION</b>			
PL - Fire - Nonrenewals	0	0	N/A
PL - Fire - Cancellations I - Co. Initiated	0	0	N/A
PL - Fire - Cancellations II - Nonpay	0	0	N/A
PL - Allied Lines - Nonrenewals	0	0	N/A
PL - Allied Lines - Cancellations I - Co. Initiated	0	0	N/A
PL - Allied Lines - Cancellations II - Nonpay	0	0	N/A
PL - Other Liab. - Occurrence - Nonrenewals	0	0	N/A
PL - Other Liab. - Occurrence - Cancellations I - Co. Init.	11	11	100.00%
PL - Other Liab. - Occurrence - Cancellations II - Nonpay	42	42	100.00%
PL - Other PPA Liability - Nonrenewals	0	0	0.00%
PL - Other PPA Liability - Cancellations I - Co. Initiated	3	3	100.00%
PL - Other PPA Liability - Cancellations II - Nonpay	15	15	100.00%
PL - PPA Physical Damage - Nonrenewals	0	0	0.00%
PL - PPA Physical Damage - Cancellations I - Co. Init.	4	4	100.00%
PL - PPA Physical Damage - Cancellations II - Nonpay	14	14	100.00%
Commercial* - Nonrenewals	0	0	N/A
Commercial* - Cancellations I - Co. Initiated	0	0	N/A
Commercial* - Cancellations II - Nonpay	0	0	N/A

\*Commercial Risk Selection - these surveys consisted of a combination of all commercial lines of business, those being: Fire, Allied Lines, Commercial Multi-peril non-Liability, Commercial Multi-peril Liability; Workers' Compensation; Other Liability - Occurrence, Other Commercial Automobile Liability and Commercial Automobile Physical Damage.

## UNDERWRITING

PL - Fire - New Business	0	0	N/A
PL - Allied Lines - New Business	0	0	N/A
PL - Other Liability - Occurrence - New Business	27	27	100.00%
PL - Other PPA Liability - New Business	0	0	N/A
PL - PPA Physical Damage - New Business	0	0	N/A
Commercial** - Renewals	7	7	100.00%
Workers' Compensation - New Business	0	0	N/A

\*\*Commercial Underwriting Renewals - these surveys consisted of a combination of all commercial lines of business (except Workers' Compensation), those being: Fire, Allied Lines, Commercial Multi-peril non-Liability, Commercial Multi-peril Liability, Other Liability - Occurrence, Commercial Automobile Physical Damage and Other Commercial Automobile Liability.

## CLAIMS

PPA Physical Damage - 1 <sup>st</sup> Party - Paid	380	82	21.58%
PPA Physical Damage - 1 <sup>st</sup> Party - CWP	136	76	55.88%
Other PPA Liability - 3 <sup>rd</sup> Party PD - Paid	148	76	51.35%
Other PPA Liability - 3 <sup>rd</sup> Party PD - CWP	31	31	100.00%
Subrogation - PPA Physical Damage - 1 <sup>st</sup> Party - Paid	24	24	100.00%
Total Loss - PPA Physical Damage - 1 <sup>st</sup> Party - Paid	38	37	97.37%
Commercial Auto Physical Damage - 1 <sup>st</sup> Party - Paid	1	1	100.00%
Commercial Auto Physical Damage - 1 <sup>st</sup> Party - CWP	0	0	N/A
Other Commercial Auto Liability - 3 <sup>rd</sup> Party PD - Paid	1	1	100.00%
Other Commercial Auto Liability - 3 <sup>rd</sup> Party PD - CWP	1	1	100.00%
Subrogation - Comm. Auto Phys. Dam. 1 <sup>st</sup> Party - Paid	0	0	N/A
Total Loss - Comm. Auto Phys. Dam. 1 <sup>st</sup> Party - Paid	0	0	N/A
PL - Property - Fire - 1 <sup>st</sup> Party - Paid	0	0	N/A
PL - Property - Fire - 1 <sup>st</sup> Party - CWP	0	0	N/A
PL - Property - Allied Lines - 1 <sup>st</sup> Party - Paid	0	0	N/A
PL - Property - Allied Lines - 1 <sup>st</sup> Party - CWP	0	0	N/A
Commercial Property*** - 1 <sup>st</sup> Party - Paid	0	0	N/A
Commercial Property*** - 1 <sup>st</sup> Party - CWP	0	0	N/A

\*\*\*Commercial Property Claims - these surveys consisted of a combination of all commercial property lines of business, those being: Fire, Allied Lines & Commercial Multi-peril non-Liability.

Note: The following lines of business have both personal lines and commercial lines: Fire, Allied Lines and Other Liability - Occurrence.

## V. FINDINGS

### A. OPERATIONS AND MANAGEMENT

There were no criticisms in this survey.

### B. COMPLAINTS

#### 1. Complaints - ILDOI

No complaints reported.

#### 2. Complaints - Consumer

There were no criticisms in this survey.

### C. PRODUCER LICENSING

There were no criticisms in this survey.

### D. RISK SELECTION

#### 1. Personal Lines - Fire - Nonrenewals

No nonrenewals reported.

#### 2. Personal Lines - Fire - Cancellations I - Company Initiated

No cancellations reported.

#### 3. Personal Lines - Fire - Cancellations II - Nonpay

No cancellations reported.

#### 4. Personal Lines - Allied Lines - Nonrenewals

No nonrenewals reported.

#### 5. Personal Lines - Allied Lines - Cancellations I - Company Initiated

No cancellations reported.

6. Personal Lines - Allied Lines - Cancellations II - Nonpay

No cancellations reported.

7. Personal Lines - Other Liability - Occurrence - Nonrenewals

No nonrenewals reported.

8. Personal Lines - Other Liability - Occurrence - Cancellations I - Company Initiated

There were no criticisms in this survey.

9. Personal Lines - Other Liability - Occurrence - Cancellations II - Nonpay

There were no criticisms in this survey.

10. Other Private Passenger Automobile Liability - Nonrenewals

No nonrenewals reported.

11. Other Private Passenger Automobile Liability - Cancellations I - Company Initiated

There were no criticisms in this survey.

12. Other Private Passenger Automobile Liability - Cancellations II - Nonpay

There were no criticisms in this survey.

13. Private Passenger Automobile Physical Damage - Nonrenewals

No nonrenewals reported.

14. Private Passenger Automobile Physical Damage - Cancellations I - Company Initiated

There were no criticisms in this survey.

15. Private Passenger Automobile Physical Damage - Cancellations II - Nonpay

There were no criticisms in this survey.

16. Commercial - Nonrenewals

No nonrenewals reported.

17. Commercial - Cancellations I - Company Initiated

No cancellations reported.

18. Commercial - Cancellations II - Nonpay

No cancellations reported.

E. UNDERWRITING

1. Personal Lines - Fire - New Business

No new business reported.

2. Personal Lines - Allied Lines - New Business

No new business reported.

3. Personal Lines - Other Liability – Occurrence - New Business

There were no criticisms in this survey.

4. Other Private Passenger Automobile Liability - New Business

No new business reported.

5. Private Passenger Automobile Physical Damage - New Business

No new business reported.

6. Commercial - Renewals

There were no criticisms in this survey.

7. Workers' Compensation - New Business

No new business reported.

F. CLAIMS

1. Private Passenger Automobile Physical Damage - 1<sup>st</sup> Party - Paid & Median Study

The median payment period was 21 days distributed as follows:

MEDIAN DISTRIBUTION		
Days for Pay	Number of Items	Percent
0-30	57	69.51%
31-60	18	21.95%
61-90	5	6.10%
91-180	2	2.44%
181-365	0	0
Over 365	0	0
Total Items	82	100.00%

In three (3) instances of 82 files reviewed, for an error percentage of 3.66%, the Company failed to provide a delay letter in claims unresolved for more than 40 days (or three (3) instances out of three (3) files where a delay letter was required for an error percentage of 100%). This is a violation of 50 Ill. Adm. Code 919.80(b)(2).

Survey #	Claim #	Date of Loss	Criticism
3		09/27/14	No 40 day delay letter
65		12/27/14	No 40 day delay letter
71		01/02/15	No 40 day delay letter

2. Private Passenger Automobile Physical Damage - 1<sup>st</sup> Party - CWP

There were no criticisms in this survey.

3. Other Private Passenger Automobile Liability - 3<sup>rd</sup> Party PD - Paid & Median Study

The median payment period was 16 days distributed as follows:

MEDIAN DISTRIBUTION		
Days for Pay	Number of Items	Percent
0-30	55	72.37%
31-60	12	15.79%
61-90	3	3.95%
91-180	6	7.89%
181-365	0	0
Over 365	0	0
Total Items	76	100.00%



In three (3) instances of 76 files reviewed, for an error percentage of 3.95%, the Company failed to provide a delay letter in claims unresolved for more than 60 days (or three (3) instances out of three (3) files where a delay letter was required for an error percentage of 100%). This is a violation of 50 Ill. Adm. Code 919.80(b)(3).

Survey #	Claim #	Date of Loss	Criticism
19		08/02/14	No 60 Day Delay Letter
28		06/23/14	No 60 Day Delay Letter
54		01/02/15	No 60 Day Delay Letter

4. Other Private Passenger Automobile Liability - 3<sup>rd</sup> Party PD - CWP

There were no criticisms in this survey.

5. Subrogation - Private Passenger Automobile - Physical Damage - 1<sup>st</sup> Party - Paid & Median Study (payments to insured)

The median payment period was 38.50 days distributed as follows:

MEDIAN DISTRIBUTION		
Days for Pay	Number of Items	Percent
0-30	9	37.51%
31-60	8	33.33%
61-90	2	8.33%
91-180	5	20.83%
181-365	0	0
Over 365	0	0
Total Items	24	100.00%

There were no criticisms in this survey.

6. Total Loss - Private Passenger Automobile Physical Damage - 1<sup>st</sup> Party - Paid & Median Study (payments to insured)

The median payment period was 22 days distributed as follows:

Days for Pay	MEDIAN DISTRIBUTION	
	Number of Items	Percent
0-30	30	81.08%
31-60	6	16.22%
61-90	1	2.70%
91-180	0	0
181-365	0	0
Over 365	0	0
Total Items	37	100.00%

There were no criticisms in this survey.

7. Commercial Automobile Physical Damage - 1<sup>st</sup> Party - Paid

There were no criticisms in this survey.

8. Commercial Automobile Physical Damage - 1<sup>st</sup> Party - CWP

No claims reported.

9. Other Commercial Automobile Liability - 3<sup>rd</sup> Party PD - Paid

There were no criticisms in this survey.

10. Other Commercial Automobile Liability - 3<sup>rd</sup> Party PD - CWP

There were no criticisms in this survey.

11. Subrogation - Commercial Automobile Physical Damage - 1<sup>st</sup> Party - Paid

No claims reported.

12. Total Loss - Commercial Automobile Physical Damage - 1<sup>st</sup> Party - Paid

No claims reported.

13. Personal Lines - Property - Fire - 1<sup>st</sup> Party - Paid & Median Study

No claims reported.

14. Personal Lines - Property - Fire - 1<sup>st</sup> Party - CWP

No claims reported.

15. Personal Lines - Property - Allied Lines - 1<sup>st</sup> Party - Paid & Median Study

No claims reported.

16. Personal Lines - Property - Allied Lines - 1<sup>st</sup> Party - CWP

No claims reported.

17. Commercial Property - 1<sup>st</sup> Party - Paid

No claims reported.

18. Commercial Property - 1<sup>st</sup> Party - CWP

No claims reported.

## VII. INTERRELATED AND/OR ADDITIONAL FINDINGS

The Company is a subsidiary of Ohio Farmers Insurance Company. Two other companies in this group, Westfield Insurance Company and American Select Insurance Company, share the same platforms and processes. All three companies were examined in conjunction with one another, however separate reports were written. In every instance where a delay letter was required, all three companies failed to send a letter or failed to send one that provided the required availability of the Department of Insurance.

STATE OF KENTUCKY     )  
  ) ss  
COUNTY OF JEFFERSON    )

J. Joseph Cohen, Examiner-in-Charge, 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 American Select Insurance Co. NAIC #19992; Westfield Insurance Co. NAIC #24112; Westfield National Insurance Co NAIC #24120.

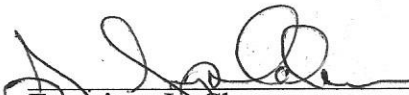
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish 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 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 Company nor any of the Company's 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;

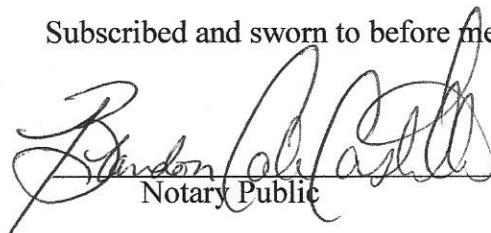
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

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.

  
Examiner-In-Charge

Subscribed and sworn to before me this 11<sup>th</sup> day of March, 2016.

  
Notary Public

