



Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

July 10, 2017

Mr. Gary W. Thompson
President
Columbia Mutual Insurance Company
Columbia National Insurance Company
2102 White Gate Drive
Columbia, MO 65202

**Re: Columbia Mutual Insurance Company, NAIC 40371
Columbia National Insurance Company, NAIC 19640
*Market Conduct Examination Report Closing Letter***

Dear Mr. Thompson:

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 and Stipulation and Consent Order 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 black ink that reads "Jack Engle".

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
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Springfield, IL 62767
217-558-1058
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**ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION OF**

Columbia Mutual Insurance Company
Columbia National Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: September 16, 2016 through December 30, 2016

EXAMINATION OF: Columbia Mutual Insurance Company
(P & C) NAIC #40371

Columbia National Insurance Company
(P & C) NAIC #19640

LOCATION: 2102 White Gate Drive
Columbia, MO 65205

PERIOD COVERED BY
EXAMINATION: June 1, 2015 through May 31, 2016

EXAMINERS: Ron Cochran, MCM, Examiner-in-Charge
Nicole Richards, MCM
Aubrey Powell, MCM

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I. SUMMARY

A comprehensive market conduct examination of Columbia Mutual Insurance Company and Columbia National Insurance Company, collectively referred to as “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	Survey/Description	Population	Files Reviewed	Number of Violations	Error %
1	215 ILCS 5/143.10a	Commercial Auto Nonrenewals – failure to provide loss information to insured	7	7	4	57.14%
2	215 ILCS 5/143.17a(a)	Commercial Auto Nonrenewals – failure to provide specific reason for nonrenewal	7	7	1	14.29%
3	215 ILCS 5/143.17a(a)	Workers’ Compensation Nonrenewals – failure to provide a specific reason for nonrenewal	2	2	1	50.00%
33	215 ILCS 5/143.17a(b)	Farm Auto Renewals – failure to provide 60 day notice for 30%+ increase in premium.	11	11	1	9.09%
21	215 ILCS 5/143.21c	Farm Owners New Business – failure to provide earthquake coverage notice on properties located in the New Madrid Seismic Zone	11	11	8	72.73%
9	215 ILCS 5/397.1(a)	Homeowners Paid Claims – failure to secure tax and demolition certificate for loss over \$25,000 due to fire or explosion	4	4	2	50.00%
24	215 ILCS 5/462b	Workers’ Compensation New Business – improper classification of new business	70	70	2	2.86%
6	50 Ill. Adm. Code 754.10(b)(1)	Private Passenger Auto New Business – failure to follow filed rules and rating guidelines	592	113	4	3.54%
20	50 Ill. Adm. Code 919.30(c)	Commercial Auto 1 st Party Paid Claims – file lacks detailed documentation to recreate Company activities	22	22	1	4.55%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Survey/Description	Population	Files Reviewed	Number of Violations	Error %
25	50 Ill. Adm. Code 919.30(c)	Private Passenger Auto 1 st Party Paid Claims – file lacks detailed documentation to recreate Company activities	58	58	1	1.72%
30	50 Ill. Adm. Code 919.50(a)	Private Passenger Auto 1 st Party Paid Claims – failure to provide payment in 30 days if amount known and not in dispute	58	58	1	1.72%
17	50 Ill. Adm. Code 919.50(a)(1)	Commercial Auto Total Loss – failure to provide the Notice of Availability with the partial denial	6	6	1	16.67%
40	50 Ill. Adm. Code 919.50(a)(1)	Private Passenger Auto 1 st Party Closed Without Payment Claims – failure to provide the Notice of Availability with the denial	24	24	1	4.17%
19	50 Ill. Adm. Code 919.50(a)(1)	Commercial Auto 1 st Party Paid Claims – failure to provide explanation of lower offer with Notice of Availability	22	22	3	13.64%
26	50 Ill. Adm. Code 919.50(a)(1)	Private Passenger Auto 1 st Party Paid Claims – failure to provide explanation of lower offer and/or Notice of Availability	58	58	11	18.97%
13	50 Ill. Adm. Code 919.60(a)	Commercial Farm Owners Paid Claims – use of “final” on payment to insured without policy limits paid or a bona fide dispute over coverage or amount payable	3	3	1	33.34%
8	50 Ill. Adm. Code 919.60(a)	Homeowners Paid Claims – use of “final” on payment to insured without policy limits paid or a bona fide dispute over coverage or amount payable	4	4	2	50.00%
18	50 Ill. Adm. Code 919.60(a)	Commercial Auto 1 st Party Paid Claims – use of “final” on payment to insured without policy limits paid or a bona fide dispute over coverage or amount payable	22	22	1	4.55%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Survey/Description	Population	Files Reviewed	Number of Violations	Error %
27	50 Ill. Adm. Code 919.80(b)(2)	Private Passenger Auto 1 st Party Paid Claims – failure to provide delay letter to 1 st party in 40 days if claim is unresolved	58	58	2	3.45%
39	50 Ill. Adm. Code 919.80(b)(2)	Private Passenger Auto 1 st Party Closed Without Payment Claims – failure to provide delay letter to 1 st party in 40 days if claim is unresolved	24	24	4	16.67%
48	50 Ill. Adm. Code 919.80(b)(3)	Private Passenger Auto 3 rd Party Paid Claims – failure to provide 60 day delay letter to 3 rd party	38	38	1	2.63%
28	50 Ill. Adm. Code 919.80(c)	Private Passenger Auto 1 st Party Paid Claims – failure to provide minimum of Exhibit A for total loss	58	58	3	5.17%
35	50 Ill. Adm. Code 919.80(c)	Private Passenger Auto 3 rd Party Closed Without Payment Claims – failure to provide minimum of Exhibit A for total loss	27	27	1	3.70%
37	50 Ill. Adm. Code 919.80(c)	Private Passenger Auto Total Loss Claims – failure to provide minimum of Exhibit A for total loss	18	18	17	94.44%
43	50 Ill. Adm. Code 919.80(c)	Private Passenger Auto 3 rd Party Paid Claims – failure to provide minimum of Exhibit A for total loss	38	38	2	5.26%
31	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	Private Passenger Auto 1 st Party Paid Claims – failure to reimburse title and transfer fees	58	58	1	1.72%
38	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	Private Passenger Auto Total Loss Claims – failure to reimburse title and transfer fees	18	18	4	22.22%
44	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	Private Passenger Auto 3 rd Party Paid Claims – failure to reimburse title and transfer fees	38	38	1	2.63%
22	215 ILCS 5/500-80(a)	Producer Licensing – paid commission to unlicensed producer	81	81	1	1.23%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Survey/Description	Population	Files Reviewed	Number of Violations	Error %
50	820 ILCS 305/8.2(d)(3)	Workers' Compensation Paid Claims – fail to pay medical bill within 30 days resulting in 1% interest per month to the provider to be paid within 30 days of payment	71	71	11	15.49%
52	50 Ill. Adm. Code 9110.70(a)	Workers' Compensation Paid Claims – failure to provide explanation of non-payment of TTD benefits to claimant	71	71	2	2.82%
10	215 ILCS 5/143c(2)	Interrogatory # 2 – Failure to provide address of Public Service Division of the Department of Insurance	N/A	N/A	N/A	N/A

II. BACKGROUND

Columbia Insurance Group History:

The Company first began business under the laws of the State of Missouri on June 3, 1940, as Missouri Farmers Mutual Hail Insurance Company. After prior name changes, in December 1989, Columbia Mutual Casualty Insurance Company emerged as the surviving entity and in December 1989, changed its name to Columbia Mutual Insurance Company (CMI).

Columbia National Insurance Company was originally chartered and incorporated under the laws of the State of Nebraska on August 13, 1985, as the National Ahmanson Insurance Company. On June 14, 1988, Dardof, Inc. purchased 100% of the issued and outstanding common stock and on December 31, 1988, changed the company's name to Columbia National Insurance Company. During 1989, Dardof, Inc., the immediate parent of the Company, changed the name to Columbia Insurance Group (CIG).

CIG is a wholly owned subsidiary of Columbia Mutual Insurance Company (CMI).

CMI is a Missouri mutual insurance company that serves as the controlling entity of the insurance holding company system informally known as Columbia Insurance Group.

The corporate organizational structure of the Columbia Insurance Group is as follows as of December 31, 2015, and without change as of the date of this report:

- Columbia Mutual Insurance Company (MO)
- Citizens Mutual Insurance Company (MO mutual) (100% control, not ownership)
- Association Casualty Insurance Company (TX) (100%)
- Georgia Casualty & Surety Company (GA) (100%)
- Columbia Insurance Group, Inc. (MO) (100%)
- Columbia National Insurance Company (NE) (100%)

Columbia Mutual Insurance Company

2015 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC # 40371

	Line	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
01	Fire	\$28,593	\$26,140	\$901	\$602
02.1	Allied lines	\$40,183	\$38,788	\$18,309	\$18,263
02.2	Multiple peril crop	\$0	\$0	\$0	\$0
02.3	Federal Flood	\$0	\$0	\$0	\$0
03	Farmowners multiple peril	\$0	\$0	\$0	\$0
04	Homeowners multiple peril	\$4,665	\$5,170	\$51,194	-\$280,145
05.1	Commercial multiple peril (non-liability portion)	\$3,081,342	\$3,051,047	\$969,580	\$666,575
05.2	Commercial multiple peril (liability portion)	\$1,453,060	\$1,485,637	\$406,262	-\$97,247
06	Mortgage guaranty	\$0	\$0	\$0	\$0
08	Ocean Marine	\$0	\$0	\$0	\$0
09	Inland Marine	\$47,091	\$29,792	\$0	-\$133
10	Financial guaranty	\$0	\$0	\$0	\$0
11	Medical professional liability	\$0	\$0	\$0	\$0
12	Earthquake	\$2,744	\$2,354	\$0	\$0
13	Group accident and health	\$0	\$0	\$0	\$0
14	Credit A&H (group & individual)	\$0	\$0	\$0	\$0
15.1	Collectively renewable A&H	\$0	\$0	\$0	\$0
15.2	Non-cancelable A&H	\$0	\$0	\$0	\$0
15.3	Guaranteed renewable A&H	\$0	\$0	\$0	\$0
15.4	Non-renewable for stated reasons only	\$0	\$0	\$0	\$0
15.5	Other accident only	\$0	\$0	\$0	\$0
15.6	Medicare Title XVIII exempt from state taxes or fees	\$0	\$0	\$0	\$0
15.7	All other A&H	\$0	\$0	\$0	\$0
15.8	Federal employees health benefits program premium	\$0	\$0	\$0	\$0
16	Workers' compensation	\$0	\$0	\$0	\$0
17.1	Other liability - occurrence	\$432,908	\$376,262	\$2,870	\$102,773
17.2	Other liability - claims made	\$0	\$0	\$0	\$0
17.3	Excess workers' compensation	\$0	\$0	\$0	\$0
18	Product liability	\$24,133	\$8,484	\$0	\$2,152
19.1	Private passenger auto no-fault (personal injury protection)	\$0	\$0	\$0	\$0
19.2	Private passenger auto liability	\$663,884	\$634,147	\$831,850	\$438,587
19.3	Commercial auto no-fault (personal injury protection)	\$0	\$0	\$0	\$0
19.4	Other commercial auto liability	\$785,657	\$780,388	\$659,136	\$279,388
21.1	Private passenger auto physical damage	\$634,498	\$598,931	\$359,474	\$388,133
21.2	Commercial auto physical damage	\$377,084	\$374,286	\$236,027	\$256,048
22	Aircraft (all perils)	\$0	\$0	\$0	\$0
23	Fidelity	\$513	\$581	\$0	\$0
24	Surety	\$0	\$0	\$0	\$0
26	Burglary & theft	\$250	\$275	\$0	\$0
27	Boiler & machinery	\$1,844	\$1,720	\$0	\$0
28	Credit	\$0	\$0	\$0	\$0
30	Warranty	\$0	\$0	\$0	\$0
34	Aggregate write-ins for other lines of business	\$0	\$0	\$0	\$0
35	Total	\$7,578,449	\$7,414,272	\$3,535,603	\$1,774,996

Columbia National Insurance Company

2015 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC # 19640

	Line	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
01	Fire	\$0	\$0	\$0	\$0
02.1	Allied lines	\$0	\$0	\$0	\$0
02.2	Multiple peril crop	\$0	\$0	\$0	\$0
02.3	Federal Flood	\$0	\$0	\$0	\$0
03	Farmowners multiple peril	\$120,397	\$112,474	\$33,186	\$33,394
04	Homeowners multiple peril	\$0	\$0	\$0	\$0
05.1	Commercial multiple peril (non-liability portion)	\$0	\$0	\$0	\$0
05.2	Commercial multiple peril (liability portion)	\$0	\$0	\$0	\$0
06	Mortgage guaranty	\$0	\$0	\$0	\$0
08	Ocean Marine	\$0	\$0	\$0	\$0
09	Inland Marine	\$0	\$0	\$0	\$0
10	Financial guaranty	\$0	\$0	\$0	\$0
11	Medical professional liability	\$0	\$0	\$0	\$0
12	Earthquake	\$0	\$0	\$0	\$0
13	Group accident and health	\$0	\$0	\$0	\$0
14	Credit A&H (group & individual)	\$0	\$0	\$0	\$0
15.1	Collectively renewable A&H	\$0	\$0	\$0	\$0
15.2	Non-cancelable A&H	\$0	\$0	\$0	\$0
15.3	Guaranteed renewable A&H	\$0	\$0	\$0	\$0
15.4	Non-renewable for stated reasons only	\$0	\$0	\$0	\$0
15.5	Other accident only	\$0	\$0	\$0	\$0
15.6	Medicare Title XVIII exempt from state taxes or fees	\$0	\$0	\$0	\$0
15.7	All other A&H	\$0	\$0	\$0	\$0
15.8	Federal employees health benefits program premium	\$0	\$0	\$0	\$0
16	Workers' compensation	\$1,944,928	\$1,876,926	\$642,504	\$1,742,682
17.1	Other liability - occurrence	\$2,179	\$2,177	\$0	\$91
17.2	Other liability - claims made	\$0	\$0	\$0	\$0
17.3	Excess workers' compensation	\$0	\$0	\$0	\$0
18	Product liability	\$0	\$0	\$0	\$0
19.1	Private passenger auto no-fault (personal injury protection)	\$0	\$0	\$0	\$0
19.2	Private passenger auto liability	\$0	\$0	\$0	\$0
19.3	Commercial auto no-fault (personal injury protection)	\$0	\$0	\$0	\$0
19.4	Other commercial auto liability	\$0	\$0	\$0	\$0
21.1	Private passenger auto physical damage	\$0	\$0	\$0	\$0
21.2	Commercial auto physical damage	\$0	\$0	\$0	\$0
22	Aircraft (all perils)	\$0	\$0	\$0	\$0
23	Fidelity	\$0	\$0	\$0	\$0
24	Surety	\$0	\$0	\$0	\$0
26	Burglary & theft	\$0	\$0	\$0	\$0
27	Boiler & machinery	\$0	\$0	\$0	\$0
28	Credit	\$0	\$0	\$0	\$0
30	Warranty	\$0	\$0	\$0	\$0
34	Aggregate write-ins for other lines of business	\$0	\$0	\$0	\$0
35	Total	\$2,067,504	\$1,991,577	\$675,690	\$1,776,167

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.

- I. Risk Selection
- II. Underwriting
- III. Claims
- IV. Complaints
- V. Producer Review

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. Random statistical printout reports were generated by the examiners and presented to the Company for retrieval.

Risk Selection

Cancellations and nonrenewals of existing policy holders 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, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.* and 820 ILCS 305/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

Complaints

Complaints were reviewed for completion, accuracy and validity of the complaint based on complaints received by the Illinois Department of Insurance during the examination experience period.

Producer Review

Producer terminations and licensing were reviewed for their compliance with statutory requirements.

IV. SELECTION OF SAMPLE

Survey	Population	# Reviewed	% Reviewed
<u>Risk Selection</u>			
Private Passenger Automobile Cancellations	416	178	42.79%
Private Passenger Automobile Nonrenewals	16	16	100%
Homeowners Cancellations	0	0	0%
Homeowners Nonrenewals	0	0	0%
Residential Fire Cancellations	0	0	0%
Residential Fire Nonrenewals	0	0	0%
Commercial Automobile Cancellations	111	111	100%
Commercial Automobile Nonrenewals	7	7	100%
Commercial Property Cancellations	0	0	0%
Commercial Property Nonrenewals	0	0	0%
Commercial Farm Automobile Cancellations	2	2	100%
Commercial Farm Automobile Nonrenewals	0	0	0%
Commercial Farm Owners Cancellations	4	4	100%
Commercial Farm Owners Nonrenewals	0	0	0%
Workers' Compensation Nonrenewals	2	2	100%
Workers' Compensation Cancellations	109	109	100%
<u>Underwriting</u>			
Private Passenger Automobile New Business	592	113	19.08%
Private Passenger Automobile Renewals	1,630	113	6.93%
Homeowners New Business	0	0	0%
Homeowners Renewals	0	0	0%
Residential Fire New Business	0	0	0%
Residential Fire Renewals	0	0	0%
Workers' Compensation New Business	70	70	100%
Workers' Compensation Renewals	307	84	27.36%
Commercial Automobile New Business	81	81	100%
Commercial Automobile Renewals	320	84	26.25%
Commercial Farm Automobile New Business	2	2	100%
Commercial Farm Automobile Renewals	11	11	100%
Commercial Farm Owners New Business	11	11	100%
Commercial Farm Owners Renewals	46	46	100%

Claims

Private Passenger Automobile 1 st Party Paid	58	58	100%
PPA 1 st P Paid – Median = 6 days	--		-----
Private Passenger Automobile 1 st Party Closed Without Payment	26	26	100%
Private Passenger Automobile 3 rd Party Paid	38	38	100%
PPA 3 rd P Paid – Median = 13 days	--		-----
Private Passenger Automobile 3 rd Party Closed Without Payment	26	26	100%
Commercial Automobile 1 st Party Paid	22	22	100%
Commercial Automobile 1 st Party Closed Without Payment	16	16	100%
Commercial Automobile 3 rd Party Paid	30	30	100%
Commercial Automobile 3 rd Party Closed Without Payment	11	11	100%
Private Passenger Automobile Subrogation	14	14	100%
Commercial Automobile Subrogation	2	2	100%
Private Passenger Automobile Total Loss	19	19	100%
Commercial Automobile Total Loss	6	6	100%
Homeowners Paid	4	4	100%
Homeowners Paid – Median = 1 day	--		-----
Homeowners Closed Without Payment	1	1	100%
Residential Fire Paid	0	0	0%
Residential Fire Paid – Median – N/A	--		-----
Residential Fire Closed Without Payment	0	0	0%
Farm Owners Paid	3	3	100%
Farm Owners Closed Without Payment	1	1	100%
Farm Automobile Paid	0	0	0%
Farm Automobile Closed Without Payment	0	0	0%

Complaints

Department Complaints	1	1	100%
Consumer Complaints	0	0	0%

Producer Review

Producer Terminations	0	0	0%
Producer Licensing	81	81	100%

V. FINDINGS

A. Risk Selection

1. Private Passenger Automobile Cancellations

No criticisms were found in the following surveys:
Cancellations in the First 60 Days
Cancellations Mid Term (After First 60 Days)
Cancellations for Non-Payment of Premium
Insured Requested Cancellations

2. Private Passenger Automobile Nonrenewals

No criticisms were found in the survey.

3. Commercial Automobile Cancellations

No criticisms were found in the following surveys:
Cancellations in the First 60 Days
Cancellations Mid Term (After First 60 Days)
Cancellations for Non-Payment of Premium
Insured Requested Cancellations

4. Commercial Automobile Nonrenewals

In four (4) commercial automobile nonrenewal files (57.14% of the seven (7) files reviewed) the Company failed to provide the required loss information with the notice of nonrenewal in violation of 215 ILCS 5/143.10a. (Criticism # 1)

In one (1) commercial automobile nonrenewal file (14.29% of the seven (7) files reviewed) the Company failed to provide a specific reason for nonrenewal in violation of 215 ILCS 5/143.17a(a). (Criticism # 2)

5. Commercial Farm Automobile Cancellations

No criticisms were found in the following surveys:
Cancellations in the First 60 Days – no data for review
Cancellations Mid Term (After First 60 Days) – no data for review
Cancellations for Non-Payment of Premium – no data for review
Insured Requested Cancellations

6. Commercial Farm Automobile Nonrenewals

No criticisms were found in the survey.

7. Commercial Property Cancellations

No data for review.

8. Commercial Property Nonrenewals

No data for review.

9. Commercial Farm Owners Cancellations

No criticisms were found in the following surveys:

Cancellations in the First 60 Days – No data for review
Cancellations Mid Term (After First 60 Days)
Cancellations for Non-Payment of Premium
Insured Requested Cancellations

10. Commercial Farm Owners Nonrenewals

No data for review.

11. Workers' Compensation Cancellations

No criticisms were found in the following surveys:

Cancellations in the First 60 Days
Cancellations Mid Term (After First 60 Days)
Cancellations for Non-Payment of Premium
Insured Requested Cancellations

12. Workers' Compensation Nonrenewals

In one (1) workers' compensation nonrenewal file (50% of the two (2) files reviewed) the Company failed to provide a specific reason for nonrenewal in violation of 215 ILCS 5/143.17a(a). (Criticism # 3)

13. Department Complaints

No criticisms were found in the survey.

14. Consumer Complaints

No criticisms were found in the survey.

15. Producer Terminations

No data for review.

16. Producer Licensing

In one (1) instance (1.23% of the 81 payments reviewed) the Company issued payment for a new policy in which the application was signed by an unlicensed producer. The Company was criticized for making a commission payment to an unlicensed producer in violation of 215 ILCS 5/500-80(a). (Criticism # 22)

B. Underwriting

1. Private Passenger Automobile New Business

In four (4) private passenger automobile new business files (3.54% of the 113 files reviewed) the Company failed to follow the underwriting manuals and rating plans filed with the Illinois Department of Insurance in violation of 50 Ill. Adm. Code 754.10(b)(1). The violations resulted in three (3) undercharges totaling \$170.00 and one (1) overcharge totaling \$88.00. The three (3) policies undercharged have been cancelled for non-payment of premium prior to this finding and will not be charged for the unpaid premiums. The one (1) policy overcharged is in collections for non-payment of past due premiums. The Company revised the statement to this insured to reflect the reduction in premium owed and sent a new statement to the insured. A copy of the revised statement was provided by the Company as proof of the correction. (Criticism # 6)

2. Private Passenger Automobile Renewals

No criticisms were found in the survey.

3. Commercial Automobile New Business

No criticisms were found in the survey.

4. Commercial Automobile Renewals

No criticisms were found in the survey.

5. Commercial Farm Automobile New Business

No criticisms were found in the survey.

6. Commercial Farm Automobile Renewals

In one (1) policy file (9.09% of the 11 policy files reviewed) the Company failed to provide a 60 day notice for an increase in premium of 30% or more in violation of 215 ILCS 5/143.17a(b). (Criticism # 33)

7. Commercial Farm Owners New Business

In eight (8) policy files (72.73% of the 11 files reviewed) in which the property is located in the New Madrid Seismic Zone, the Company failed to provide notice of available coverage for loss caused by earthquake in violation of 215 ILCS 5/143.21c. (Criticism # 21)

Policy #	Effective Date	County	Criticism
[REDACTED]	11/01/2015	Marion	Earthquake coverage option not provided
[REDACTED]	10/07/2015	Monroe	Earthquake coverage option not provided
[REDACTED]	11/21/2015	Jackson	Earthquake coverage option not provided
[REDACTED]	01/28/2016	Marion	Earthquake coverage option not provided
[REDACTED]	02/13/2016	Hancock	Earthquake coverage option not provided
[REDACTED]	02/26/2016	Schuyler	Earthquake coverage option not provided
[REDACTED]	05/13/2016	Schuyler	Earthquake coverage option not provided
[REDACTED]	05/28/2016	Warren	Earthquake coverage option not provided

8. Commercial Farm Owners Renewals

No criticisms were found in the survey.

9. Workers' Compensation New Business

In two (2) policy files (2.86% of the 70 policy files reviewed) the Company failed to properly classify the business for workers' compensation coverage in violation of 215 ILCS 5/462b. The Company disagrees with the criticism of Policy#: [REDACTED] that resulted in an overcharge of \$349.00. The Company agrees with the criticism of Policy#: [REDACTED] that resulted in an undercharge of \$4,030.00. This correction was made to the 2017 renewal of this policy. (Criticism # 24)

Policy #	Effective Date	Class code	Criticism
[REDACTED]	6/01/2015	[REDACTED]	Improper business classification
[REDACTED]	6/16/2015	[REDACTED]	Improper business classification

10. Workers' Compensation Renewals

No criticisms were found in the survey.

C. Claims

1. Private Passenger Automobile 1st Party Paid & Median

The median payment period was 6 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	48	85.7%
31-60	4	7.1%
61-90	3	5.4%
91-180	0	0%
181-365	1	1.8%
Over 365	0	0%
Total	56	100%

In one (1) claim file (1.72% of the 58 claim files reviewed) the file lacked detailed documentation to recreate the Company's activities relative to the claim file in violation of 50 Ill. Adm. Code 919.30(c). (Criticism # 25)

In 11 claim files (18.97% of the 58 claim files reviewed) the Company failed to provide a written explanation of the lower offer and/or include the Notice of Availability in violation of 50 Ill. Adm. Code 919.50(a)(1). (Criticism # 26)

Policy #	Claim #	Date loss reported	Criticism
██████████	██████████	02/05/2016	No written explanation of why supplement not paid
██████████	██████████	12/02/2015	Company rewrote estimate with no explanation of why they paid less to insured
██████████	██████████	02/27/2015	Company rewrote estimate with no explanation of why they paid less to insured
██████████	██████████	06/17/2015	The explanation from Company of why they paid less than insured estimate does not include the Notice of Availability
██████████	██████████	07/16/2015	Company rewrote estimate with no explanation of why they paid less to insured
██████████	██████████	04/14/2016	The explanation from Company of why they paid less than insured estimate does not include the Notice of Availability
██████████	██████████	09/10/2015	The explanation from Company of why they did not pay does not include the Notice of Availability

		08/31/2015	The explanation from Company of why they paid less than insured estimate does not include the Notice of Availability
		10/07/2015	Company rewrote estimate with no explanation of why they paid less to insured
		06/08/2015	Company rewrote estimate with no explanation of why they paid less to insured
		08/07/2015	Company rewrote estimate with no explanation of why they paid less to insured

In two (2) claim files (3.45% of the 58 claim files reviewed) the Company failed to provide the insured a delay letter when a first party physical damage auto claim remained unresolved for 40 calendar days from the date of report in violation of 50 Ill. Adm. Code 919.80(b)(2). (Criticism # 27)

Claim #	Date claim reported	Date of final payment	Criticism
	02/27/2015	8/28/2015	Delay letter due 4/8/15
	06/02/2015	8/3/2015	Company agreed

In three (3) claim files (5.17% of the 58 claim files reviewed) the Company failed to provide the insured with, at a minimum, the information contained in Exhibit A within 7 days of declaring the vehicle a total loss in violation of 50 Ill. Adm. Code 919.80(c). (Criticism # 28)

Policy #	Claim #	Date of total loss	Criticism
		09/15/2015	No Exhibit A to insured
		09/30/2015	No Exhibit A to insured
		12/03/2015	No Exhibit A to insured

In one (1) claim file (1.72% of the 58 claim files reviewed) the Company failed to issue payment within 30 days of determining the amount owed to the insured in violation of 50 Ill. Adm. Code 919.50(a). (Criticism # 30)

In one (1) claim file (1.72% of the 58 claim files reviewed) the Company failed to issue payment for the reimbursement of the title and transfer fees after the insured provided proof of replacing the vehicle in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i). The Company has provided proof of completing the payment to the insured. (Criticism # 31)

2. Private Passenger Automobile 1st Party Closed Without Payment

In four (4) claim files (16.67% of the 24 claim files reviewed) the Company failed to provide the insured a delay letter when a first party physical damage auto claim remained unresolved for 40 calendar days from the date of reported loss in violation of 50 Ill. Adm. Code 919.80(b)(2). (Criticism # 39)

Policy #	Claim #	Date loss reported	Date closed without payment	Criticism
		09/29/2015	12/18/2015	Delay letter due 11/8/15
		08/03/2015	09/23/2015	Delay letter due 9/12/15
		04/29/2015	06/22/2015	Delay letter due 6/08/15
		05/28/2015	07/09/2015	Company agreed

In one (1) claim file (4.17% of the 24 claim files reviewed) the Company failed to provide the Notice of Availability on the denial letter to the insured in violation of 50 Ill. Adm. Code 919.50(a)(1). (Criticism # 40)

3. Commercial Automobile 1st Party Paid

In one (1) claim file (4.55% of the 22 claim files reviewed) the Company issued payment to the insured that included the term “Full and Final” for the repair of a vehicle in violation of 50 Ill. Adm. Code 919.60(a). (Criticism # 18)

In three (3) claim files (13.64% of the 22 claim files reviewed) the Company failed to provide a written explanation of the lower offer with the Notice of Availability to the insured in violation of 50 Ill. Adm. Code 919.50(a)(1). (Criticism # 19)

Policy #	Claim #	Date of loss	Criticism
		07/07/2015	Company rewrote estimate with no explanation of why they paid less to insured
		04/01/2015	Company rewrote estimate with no explanation of why they paid less to insured
		04/07/2015	Company rewrote estimate with no explanation of why they paid less to insured

In one (1) claim file (4.55% of the 22 claim files reviewed) the claim file failed to contain documentation to recreate the Company’s activities in violation of 50 Ill. Adm. Code 919.30(c). (Criticism # 20)

4. Commercial Automobile 1st Party Closed Without Payment

No criticisms were found in the survey.

5. Private Passenger Automobile 3rd Party Paid & Median

The median payment period was 13 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	21	70.0%
31-60	4	13.3%
61-90	2	6.7%
91-180	2	6.7%
181-365	1	3.3 %
Over 365	0	0%
Total	30	100%

In two (2) claim files (5.26% of the 38 claim files reviewed) the Company failed to provide the insured with, at a minimum, the information contained in Exhibit A within 7 days of declaring the vehicle a total loss in violation of 50 Ill. Adm. Code 919.80(c). (Criticism # 43)

In one (1) claim file (2.63% of the 38 claim files reviewed) the Company failed to issue payment for the reimbursement of the title and transfer fees when the insured provided proof of replacing the vehicle in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i). The Company has provided proof of completing this payment to the insured. (Criticism # 44).

In one (1) claim file (2.63% of the 38 claim files reviewed) the company failed to provide the 3rd party claimant with a delay letter when the property damage liability claim remained unresolved in excess of 60 days in violation of 50 Ill. Adm. Code 919.80(b)(3). (Criticism # 48).

6. Private Passenger Automobile 3rd Party Closed Without Payment

In one (1) claim file (3.70% of the 27 claim files reviewed) the Company failed to provide the insured with, at a minimum, the information contained in Exhibit A within 7 days of declaring the vehicle a total loss in violation of 50 Ill. Adm. Code 919.80(c). (Criticism # 35)

7. Commercial Automobile 3rd Party Paid

No criticisms were found in the survey.

8. Commercial Automobile 3rd Party Closed Without Payment

No criticisms were found in the survey.

9. Private Passenger Automobile Subrogation

No criticisms were found in the survey.

10. Commercial Automobile Subrogation

No data for review.

11. Private Passenger Automobile Total Loss & Median

The median payment period was 6 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	48	85.7%
31-60	4	7.1%
61-90	3	5.4%
91-180	0	0%
181-365	1	1.8%
Over 365	0	0%
Total	56	100%

In 17 claim files (94.44% of the 18 claim files reviewed) the Company failed to provide the insured with, at a minimum, the information contained in Exhibit A within 7 days of declaring the vehicle a total loss in violation of 50 Ill. Adm. Code 919.80(c). (Criticism # 37)

In four (4) claim files (22.22% of the 18 claim files reviewed) the Company failed to issue payment for the reimbursement of the title and transfer fees when the insured provided proof of replacing the vehicle in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i). The Company has provided proof of completing these payments to the insureds (Criticism # 38)

12. Commercial Automobile Total Loss

In one (1) claim file (16.67% of the six (6) files reviewed) the Company failed to include the Notice of Availability for the partial denial of coverage in violation of 50 Ill. Adm. Code 919.50(a)(1). (Criticism # 17)

13. Commercial Farm Owners Paid

In one (1) claim file (33.34% of the three (3) files reviewed) the Company included the term “final” on a claim payment to the insured in violation of 50 Ill. Adm. Code 919.60(a). (Criticism # 13)

14. Commercial Farm Owners Closed Without Payment

No criticisms were found in the survey.

15. Homeowners Paid & Median

The median payment period was 1 day distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	2	100%
31-60	0	0%
61-90	0	0%
91-180	0	0%
181-365	0	0%
Over 365	0	0%
Total	2	100%

In two (2) claim files (50.00% of the four (4) files reviewed) the Company indicated the payment was “full and final” on the check stub attached to the payment made to the insured in violation of 50 Ill. Adm. Code 919.60(a). (Criticism # 8)

Claim #	Policy #	Date of loss	Criticism
[REDACTED]	[REDACTED]	12/29/2013	Full and final on payment to insured
[REDACTED]	[REDACTED]	04/22/2014	Company agreed

In two (2) claim files (50.00% of the four (4) claim files reviewed) the Company failed to secure the required certificate regarding delinquent property taxes and unpaid incurred demolition expense from the insured before issuing payment for damage to the structure involved in violation of 215 ILCS 5/397.1(a). (Criticism # 9)

16. Homeowners Closed Without Payment

No criticisms were found in the survey.

17. Residential Fire Paid & Median

No data for review.

18. Residential Fire Closed Without Payment

No data for review.

19. Workers’ Compensation Paid

In 11 claim files (15.49% of the 71 claim files reviewed) the Company failed to pay the interest of 1% per month to the provider when not completing payment on medical bills within 30 days of receipt of the bill and all elements necessary to adjudicate the bill in violation of 820 ILCS 305/8.2(d)(3). (Criticism # 50)

In two (2) claim files (2.82% of the 71 claim files reviewed) the Company, within 14 days of notification of the employee’s alleged inability to work, failed to begin payment of Temporary Total Disability (“TTD”) benefits to the employee, provide a written explanation of the basis for denial of TTD benefits to the employee or provide a written explanation of the information needed to determine their liability for payment of TTD benefits to the employee in violation of 50 Ill. Adm. Code 9110.70(a). (Criticism #52)

Claim #	Policy #	Date of loss	Criticism
██████████	██████████	11/11/2015	No written correspondence to employee regarding TTD benefits
██████████	██████████	06/21/2015	No written correspondence to employee regarding TTD benefits

D. Policyholder Service

Interrogatory # 2 - The Company confirmed that they were in violation of 215 ILCS 5/143c(2) for failing to provide the address of the Public Service Division of the Department of Insurance or its successor to the policyholder. (Criticism #10)

STATE OF ILLINOIS)
) ss
COUNTY OF SANGAMON)

Ron Cochran, 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 Columbia Mutual Insurance Company and Columbia National Insurance Company (collectively the "Company").

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;

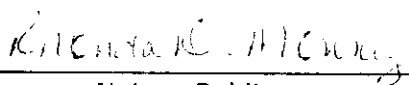
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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 21st day of February, 2017



Notary Public 2-21-19

RHONDA D. MONNIG
Notary Public - Notary Seal
STATE OF MISSOURI
County of Howard
My Commission Expires 2/24/2019
Commission # 15390929

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**COLUMBIA MUTUAL INSURANCE COMPANY
COLUMBIA NATIONAL INSURANCE COMPANY
2102 WHITE GATE DRIVE
COLUMBIA, MO 65202**

STIPULATION AND CONSENT ORDER

WHEREAS, the 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, Columbia Mutual Insurance Company, NAIC 40371, and Columbia National Insurance Company, NAIC 19640, collectively referred to as “the Company,” are authorized under the insurance laws of this State and by the 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 their 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, they waive 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 this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the 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 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 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 at the same time as the notice of cancellation or nonrenewal as required by 215 ILCS 5/143.10a.
2. Institute and maintain policies and procedures whereby the Company shall inform applicants for homeowner insurance for coverage on property located in the New Madrid Seismic Zone of the availability of insurance for loss caused by earthquake as required by 215 ILCS 5/143.21c.
3. 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(a).
4. 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 and a Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1).
5. Institute and maintain policies and procedures whereby the Company shall not indicate to an insured on any payment draft, check or in any accompanying letter that said payment is "final" or "a release" of any claim unless the policy limit has been paid or there is a bona fide dispute either over coverage or the amount payable under the policy as required by 50 Ill. Adm. Code 919.60(a).
6. 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).
7. 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).

8. 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. Adm. Code 919.80(c)(3)(A)(i).
9. Institute and maintain policies and procedures whereby the Company shall ensure interest is paid at a rate of one percent (1%) per month on any workers' compensation medical bill or portion unpaid within such thirty (30) day period as required by 820 ILCS 305/8.2(d)(3).
10. Institute and maintain policies and procedures whereby the Company shall ensure policy forms provide written notice of the address of the Public Service Division of the Department of Insurance as required by 215 ILCS 5/143c(2).
11. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above 10 orders within 30 days of execution of this Order.
12. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$15,000 to be paid within 30 days of execution of this Order.

NOTHING contained herein shall prohibit the 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 COLUMBIA MUTUAL INSURANCE COMPANY and COLUMBIA NATIONAL INSURANCE COMPANY

[Handwritten Signature]

Signature

Gina Grewino

Name

Sr. Vice President & General Counsel

Title

Subscribed and sworn to before me this
8th day of June 2017.

[Handwritten Signature]
Notary Public

SUSAN M. GREENFIELD
Notary Public - Notary Seal
State of Missouri, County of Boone
Commission #12479801
My Commission Expires Oct. 2, 2020

DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 6/14/17

[Handwritten Signature]
Jennifer Hammer
Director

