



# Illinois Department of Insurance

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JB PRITZKER  
Governor

KEVIN FRY  
Acting Director

VIA ELECTRONIC MAIL  
VIA USPS

March 7, 2019

Mr. Richard V. Poirier  
President  
Church Mutual Insurance Company  
3000 Schuster Lane  
Merrill, WI 54452

**Re: Church Mutual Insurance Company, NAIC 18767  
Market Conduct Examination Report Closing Letter**

Dear Mr. Poirier:

The Department has reviewed your Company's 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 cursive script that reads "Erica Weyhenmeyer".

Erica Weyhenmeyer  
Assistant Deputy Director - Market Conduct  
Illinois Department of Insurance  
320 West Washington St., 5th Floor  
Springfield, IL 62767  
Phone: 217-782-1790  
E-mail: Erica.Weyhenmeyer@Illinois.gov

**ILLINOIS DEPARTMENT OF INSURANCE  
MARKET CONDUCT EXAMINATION OF**

**Church Mutual Insurance Company**

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: April 9, 2018 through July 31, 2018

EXAMINATION OF: Church Mutual Insurance Company  
NAIC #18767

LOCATION: 3000 Schuster Lane, Merrill, WI 54452

PERIOD COVERED: February 1, 2017 to January 31, 2018  
Workers' Compensation – February 1, 2015 to  
January 31, 2018

EXAMINERS: Ron Cochran, Examiner-in-Charge  
Sara Moler, MCM

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## I. SUMMARY

A targeted market conduct examination of Church Mutual Insurance 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.

<b>TABLE OF TOTAL VIOLATIONS</b>						
<b>Crit #</b>	<b>Statute/Rule</b>	<b>Description of Violation</b>	<b>Population</b>	<b>Files Reviewed</b>	<b># of Violations</b>	<b>Error %</b>
1	820 ILCS 305/6(b)	Workers' Compensation Claims – Closed without payment. Failure to report claim(s) involving the loss of 3 or more days from work	141	76	1	1.31%
2	215 ILCS 5/154.6(c)	Workers' Compensation Claims – Closed without payment. Failure to implement standards for prompt investigations and settlement of claims	141	76	7	9.21%
3	820 ILCS 305/8.2(d)(2)	Workers' Compensation Claims – Closed without payment. Failure to seek information necessary to process medical bills	141	76	3	3.94%
5	50 Ill. Adm. Code 9110.70(d)	Workers' Compensation Claims – Closed without payment. failure to provide denial to claimant	141	76	1	1.31%
7	50 Ill. Adm. Code 919.50(a)(1)	Commercial Property First Party Paid Claims – Company failed to provide a written explanation of denial with Notice of Availability	304	82	5	6.10%
8	215 ILCS 5/397.1(a)	Commercial Property First Party Paid Claims – Company failed to receive the tax and demo certificate for loss over \$25,000 to a structure due to fire or explosion before issuing payment for the loss	304	82	2	2.44%
10	50 Ill. Adm. Code 919.50(a)(1)	Commercial Property Closed Without Payment Claims – Company failed to provide a written explanation of denial with Notice of Availability	128	76	6	7.89%
11	215 ILCS 5/143.10a(1)	Commercial Property Nonrenewals – Company failed to provide loss runs with nonrenewal notice to insured	8	8	2	25.00%

**TABLE OF TOTAL VIOLATIONS**

<b>Crit #</b>	<b>Statute/Rule</b>	<b>Description of Violation</b>	<b>Population</b>	<b>Files Reviewed</b>	<b># of Violations</b>	<b>Error %</b>
13	215 ILCS 5/143.17a	Workers' Compensation Nonrenewals – Failure to provide a 60-day notice and/or a specific reason for nonrenewal	21	21	3	14.29%
15	50 Ill. Adm. Code 9110.70(a)	Workers' Compensation Paid Claims – Failure to begin TTD, deny TTD or request information to determine liability for TTD benefits within 14 days of notification.	242	82	14	17.07%
16	820 ILCS 305/8.2(d)(3)	Workers' Compensation Paid Claims – Failure to pay interest on payments delayed beyond 30 days.	242	82	22	26.82%
18	820 ILCS 305/19(o)	Workers' Compensation – Failure to produce loss runs by the 15th day of each month and within 30 days after the end of the calendar year.	N/A	N/A	N/A	N/A

## **II. BACKGROUND**

Church Mutual Insurance Company (“Church Mutual” or “Company”) was organized on March 4, 1897 as the Wisconsin Church Mutual Fire Insurance Association. The company was founded for the purpose of providing insurance under the mutual plan to any church, church society, or pastor of one of the synods constituting the Evangelical Lutheran Synodical Conference, or the Norwegian Evangelical Church of America. It commenced business on June 3, 1897.

A revision of the articles of incorporation adopted at a special meeting of the policyholders held on October 16, 1947, changed the name of the company to the Wisconsin Church Mutual Fire Insurance Company.

An amendment to the articles of incorporation adopted at the annual policyholders’ meeting held March 19, 1952, changed the name to Church Mutual Insurance Company. The company has been the acquiring party in a succession of mergers during its history.

The company is organized for the purpose of insuring upon the mutual plan the members against any of the hazards as may be authorized or permitted for companies of its class under the laws of the state of Wisconsin.

Church Mutual is licensed in all 50 states and the District of Columbia. The company writes significant premium in all areas of the country. The company specializes in providing property and casualty insurance coverage for organizations that protect the greater good.

The company's headquarters is located in Merrill, Wisconsin.

Church Mutual distributes its business through two distinct channels—direct writers sales force and a network of independent agents and brokers.

**Church Mutual Insurance Company**

**2017 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC # 18767**

	Line	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
01	Fire	\$3,351	\$3,556	\$1,055	-\$13,650
02.1	Allied lines	\$608,312	\$612,597	\$481	-\$28,590
04	Home Owners multiple peril	\$12,737	\$12,174	\$2,816	\$461
05.1	Commercial multiple peril (non-liability portion)	\$15,367,564	\$15,172,660	\$8,897,494	\$10,224,351
05.2	Commercial multiple peril (liability portion)	\$4,571,408	\$4,559,002	\$2,122,951	\$1,584,208
09	Inland Marine	\$128	\$332	-\$22	\$0
11	Medical professional liability	\$842,768	\$668,141	\$336,483	\$662,312
16	Workers' compensation	\$9,576,339	\$9,122,664	\$4,329,764	\$8,214,130
17.1	Other liability - occurrence	\$941,835	\$880,509	\$850,000	-\$127,586
17.2	Other liability - claims made	\$84,930	\$72,905	\$0	\$33,359
19.4	Other commercial auto liability	\$1,152,094	\$1,307,169	\$458,009	\$421,207
21.2	Commercial auto physical damage	\$328,003	\$304,036	\$102,702	\$115,244
35	Total	\$33,849,470	\$32,715,745	\$17,101,754	\$21,085,424



### 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. Complaints
- II. Risk Selection
- III. Underwriting
- IV. Claims
- V. Producer Licensing

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 based on 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 reviewed 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 820 ILCS 305/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

#### Complaints & Producer Review

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

#### IV. SELECTION OF SAMPLE

	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
<u>Risk Selection</u>			
Commercial Property Cancellations	166	79	47.59%
Commercial Property Nonrenewals	8	8	100.00%
Workers Compensation Cancellations	303	86	28.38%
Workers Compensation Nonrenewals	40	40	100.00%
<u>Underwriting</u>			
Commercial Property New Business	318	84	26.41%
Commercial Property Renewals	3040	115	3.78%
Workers' Compensation New Business	345	84	24.34%
Workers' Compensation Renewals	5198	116	2.23%
<u>Claims</u>			
Commercial Property – Paid	815	316	38.77%
Commercial Property – CWP	304	82	26.97%
Workers' Compensation – Paid	128	76	59.37%
Workers' Compensation – CWP	242	82	33.88%
Workers' Compensation – CWP	141	76	53.90%
<u>Policyholder Service</u>			
Department Complaints	7	7	100.00%
Consumer Complaints	0	0	0.00%
Producer Terminations	0	0	0.00%
Producer Licensing	24	24	100.00%

## V. FINDINGS

### A. Risk Selection

#### 1. Commercial Property – Cancellations

No criticisms were found.

#### 2. Commercial Property – Nonrenewals

In two (2) policy files (25.00% of the 8 policy files reviewed), the Company was in violation of 215 ILCS 5/143.10a(1) for failing to provide the required loss information at the time of notice of nonrenewal.

#### 3. Workers' Compensation – Cancellations

No criticisms were found.

#### 4. Workers' Compensation – Nonrenewals

In three (3) policy files (14.29% of the 21 policy files reviewed), the Company was in violation of 215 ILCS 5/143.17a for failing to provide a 60-day notice of nonrenewal and/or a specific reason for nonrenewal.

### B. Underwriting

#### 1. Commercial Property – New Business

No criticisms were found.

#### 2. Commercial Property – Renewals

No criticisms were found.

#### 3. Workers' Compensation – New Business

No criticisms were found.

#### 4. Workers' Compensation – Renewals

No criticisms were found.

## C. Claims

### 1. Commercial Property Paid Claims

In five (5) claim files (6.10% of the 82 claim files reviewed), the Company failed to provide a written explanation of the denial in violation of 50 Ill. Adm. Code 919.50(a)(1).

In two (2) claim files (2.44% of the 82 claim files reviewed), the Company failed to receive the certificate regarding payment of taxes and demolition expenses on a property sustaining loss over \$25,000 due to fire or explosion prior to issuing payment for the loss in violation of 215 ILCS 5/397.1(a).

### 2. Commercial Property Claims Closed Without Payment

In six (6) claim files (7.89% of the 76 claim files reviewed), the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) for failing to provide a written explanation of denial with Notice of Availability of the Department of Insurance.

### 3. Workers Compensation Claims Paid

In 14 claim files (17.07% of the 82 claim files reviewed), the Company, within 14 days of notification of the employee's alleged inability to work failed to begin payment of TTD benefits to the employee, to provide a written explanation of the basis for denial of TTD benefits to the employee, or to 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).

In 22 claim files (26.82% of the 82 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 possessing all elements necessary to adjudicate the bill in violation of 820 ILCS 305/8.2 d)(3). During the examination, the Company issued payments totaling \$785.70 for the interest owed to providers for late payment.

### 4. Workers Compensation Claims Closed Without Payment

In one (1) claim file (1.31% of the 76 claim files reviewed), the Company failed to report to the Commission a claim that resulted in a loss of more than three (3) scheduled workdays in violation of 820 ILCS 305/6(b).

In seven (7) claim files (9.21% of the 76 claim files reviewed), the Company failed to implement reasonable standards for the prompt investigation and settlement of claims arising under its policies in violation of 215 ILCS 154.6(c).

In three (3) claim files (3.94% of the 76 claim files reviewed), the Company failed to complete payment within 30 days of receiving medical bills and failed to provide a written explanation of the reason for nonpayment or describing the data elements necessary to adjudicate the medical bill in violation of 820 ILCS 305/8.2(d)(2).

In one (1) claim file (1.31% of the 76 claim files reviewed) the Company failed to provide a written explanation of the basis for the denial of liability or further responsibility for payment of medical care to the employee in violation of 50 Ill. Adm. Code 9110.70(d).

D. Policyholder service

1. Department and Consumer Complaints

No criticisms were found.

2. Producer Licensing

No criticisms were found.

3. Interrogatory #2

The Company responded to the Interrogatory by confirming it is in violation of 820 ILCS 305/19(o) for failing to notify the insured by the 15<sup>th</sup> day of each month with a notice of any compensable claim incurred during the preceding month, the amounts paid or reserved on the claim, a brief summary of the claim, and a brief statement of the reasons for compensability to the policyholder. The Company also confirmed they do not provide a cumulative report of all claims incurred during a calendar year or continued from previous year within 30 days after the end of that calendar year.

## **VI. INTERRELATED FINDINGS**

Mitchell International Inc. (“Mitchell”) provides medical bill review services for workers’ compensation claims and auto insurance claims for Church Mutual Insurance Company per contract. Mitchell receives medical bills for services related to the workers’ compensation claims and provides an Explanation of Benefits regarding payment of the medical bill based on the appropriate medical bill fee schedule applicable.

50 Ill. Adm. Code 2908.80(a) requires that any communication between a health care provider and a payer “shall be of sufficient specific detail to allow the responder to easily identify the information required to resolve the issue or question related to the medical bill.”

During the examination it was found that Mitchell provided Explanations of Benefits with the following message: “DIAGNOSIS WAS INVALID FOR THE DATE(S) OF SERVICE REPORTED” for an explanation of nonpayment of the medical bill because the provider used ICD-9 codes, which are permissible per 50 Ill. Adm. Code 2908.50.

Mitchell also provided Explanations of Benefits with the following message: “PLEASE RESUBMIT WITH RENDERING ADDRESS COMPLETE WITH THE 9 DIGIT REGION ZIP CODE” where the Explanation of Benefits contains the full detail from the medical bill submitted for review that includes details of the medical service provided such as: the date of service, the diagnosis code(s), the claim number, the date of injury, the claimant name and address and the rendering provider’s information, but does not include the medical provider’s address, and from which all of the other detailed information was copied from. The medical provider’s address is listed as: “PROVIDER ADD, PROVIDER ADD NEED PROVIDER ADD, MERRILL, WI 75010.” Thus, the Explanations of Benefits were transmitted to the provider, despite using the lack of a provider’s address as the reason for lack of processing.

The issues described above were communicated to the Company for corrective action.

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 Acting Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Church Mutual Insurance Company, (the "Company"), NAIC 18767.

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;

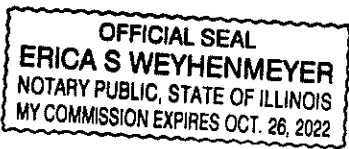
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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.

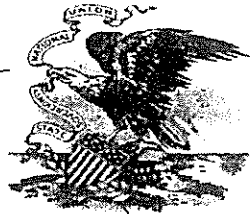
  
\_\_\_\_\_  
Examiner-In-Charge

Subscribed and sworn to before me  
this 10<sup>th</sup> day of January, 2019

  
\_\_\_\_\_  
Notary Public



STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**CHURCH MUTUAL INSURANCE COMPANY**  
3000 SCHUSTER LANE  
MERRILL, WI 54452

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, Church Mutual Insurance Company (“the Company”), NAIC 18767, is 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.*) 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 implement reasonable procedures for the prompt investigation and settlement of claims as required by 215 ILCS 5/154.6(c).
2. Institute and maintain policies and procedures whereby the Company shall provide the insured a written explanation of the basis of a denial as required by 50 Ill. Adm. Code 919.50(a)(1).
3. 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).
4. Institute and maintain policies and procedures whereby the Company shall provide the insured with a 60-day notice of its intention not to renew and a specific reason for nonrenewal sent to the insured as required by 215 ILCS 5/143.17(a).
5. Institute and maintain policies and procedures whereby the Company shall, within 14 days of notification of an employee's alleged inability to work, begin payment of temporary total compensation if any is due, shall provide the employee with a written explanation of the basis for denial, or shall advise the employee in writing of the information needed to make a determination and provide an explanation why the requested information is necessary as required by 50 Ill. Adm. Code 9110.70(a).
6. 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 30-day period as required by 820 ILCS 305/8.2(d)(3).
7. 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).

8. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above seven (7) orders within 30 days of execution of this Order.
9. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$18,850.00 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 CHURCH MUTUAL INSURANCE COMPANY

Richard V. Poirier  
Signature

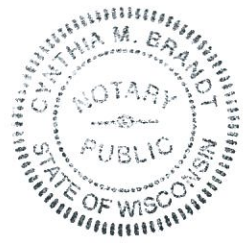
Richard V. Poirier  
Name

President & CEO  
Title

Subscribed and sworn to before me this  
11<sup>th</sup> day of February 2019.

Cynthia M. Brandt  
Notary Public

My Commission Expires 9/18/20.



DEPARTMENT OF INSURANCE of the  
State of Illinois:

DATE 2.15.19

[Signature]  
Kevin Fry  
Acting Director

