



Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

VIA ELECTRONIC MAIL
VIA USPS

January 15, 2019

Mr. Steve Harrison
President
Mendakota Casualty Company
150 Pierce Road, 6th Floor
Itasca, IL 60143-1222

**Re: Mendakota Casualty Company, NAIC 42862
Market Conduct Examination Report Closing Letter**

Dear Mr. Harrison:

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 black ink 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**

Mendakota Casualty Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: October 30, 2017 through February 15, 2018

EXAMINATION OF: Mendakota Casualty Company
NAIC Number: 42862

LOCATION OF EXAMINATION: 150 Pierce Rd, 6th floor
Itasca, Illinois 60143

122 S. Michigan Ave., 19th floor
Chicago, Illinois 60603

320 West Washington Street
Springfield, Illinois 62767

PERIOD COVERED BY EXAMINATION: Claims – May 1, 2016 through April 30, 2017
Complaints – November 1, 2015 through April 30, 2017

EXAMINERS: Sara E. Moler
Aubrey M. Powell
John C. Watts
Roger O. Henschen, Examiner-in-Charge

INDEX

	Page
I. SUMMARY	1
II. BACKGROUND	4
III. METHODOLOGY	5
IV. SELECTION OF SAMPLES	6
V. FINDINGS	7
A. Complaints	7
B. Risk Selection	7
C. Underwriting	8
D. Producer Licensing	8
E. Claims	9
VI. INTERRELATED FINDINGS	13

I. SUMMARY

A market conduct examination of Mendakota Casualty Company was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

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

TABLE OF TOTAL VIOLATIONS						
Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
27	50 Ill. Adm. Code 926.50	DOI Complaints: log not maintained correctly	1 log - 38 files	1 log - 38 files	1 log - 38 files	100%
32	50 Ill. Adm. Code 926.40(b)(1)	DOI Complaints: fail to respond to all concerns noted in complaint	38	38	5	13.16%
1	215 ILCS 5/143.20	PPA Cancels (60 day): no IL Auto Insurance Plan notice	1429	114	114	100%
2	215 ILCS 5/143.20	PPA Cancels (midterm): no IL Auto Insurance Plan notice	16	16	16	100%
3	215 ILCS 5/143.23	PPA Cancels (midterm): no advisory of right to appeal in notice	16	16	16	100%
6	215 ILCS 5/143.19	PPA Cancels (midterm): not permitted reason to cancel once policy in effect 60 days or more	16	16	13	81.25%
4	215 ILCS 5/143.15	PPA Cancels (midterm): notice sent less than 30 days in advance	16	16	2	12.50%
7	50 Ill. Adm. Code 919.80(b)(2)	PPA 1 st Party Paid: failure to provide proper delay letter (11 no letter, 11 late, 4 incorrect DOI address, 1 late and incorrect DOI address)	1050	107	27	25.23%
13	50 Ill. Adm. Code 919.30(c)	PPA 1 st Party Paid: detailed claim file documentation missing	1050	107	21	19.63%
8	50 Ill. Adm. Code 919.80(c)	PPA 1 st Party Paid: failure to provide insured Exhibit A (\$2,348.18 in payments made)	1050	107	15	14.02%
12	50 Ill. Adm. Code 919.50(a)	PPA 1 st Party Paid: failed to tender payment within 30 days	1050	107	8	7.48%
14	50 Ill. Adm. Code 919.80(c)(2)(E)	PPA 1 st Party Paid: no documentation of how ACV of insured total loss determined	1050	107	1	0.93%
21	50 Ill. Adm. Code 919.80(b)(2)	PPA 1 st Party CWP: failure to provide proper delay letter (13 late, 11 incorrect DOI address, 5 no letter, 3 late and incorrect DOI address, 2 no Notice of Availability of the DOI)	740	105	34	32.38%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
19	50 Ill. Adm. Code 919.50(a)(1)	PPA 1 st Party CWP: incorrect DOI address on denial letter	740	105	1	0.95%
20	50 Ill. Adm. Code 919.30(c)	PPA 1 st Party CWP: detailed claim file documentation missing	740	105	1	0.95%
31	50 Ill. Adm. Code 919.80(b)(3)	PPA 3 rd Party Paid: failure to provide proper delay letter (6 no letter, 5 incorrect DOI address, 4 late, 1 late and incorrect DOI address)	1256	107	16	14.95%
30	50 Ill. Adm. Code 919.50(a)	PPA 3 rd Party Paid: failed to tender payment in 30 days	1256	107	2	1.87%
15	50 Ill. Adm. Code 919.80(b)(3)	PPA 3 rd Party CWP: failure to provide proper delay letter (8 no letter, 5 incorrect DOI address, 5 late, 4 late and incorrect DOI address, 1 no DOI address)	515	105	23	21.90%
16	50 Ill. Adm. Code 919.50(a)(2)	PPA 3 rd Party CWP: failure to send denial letter to the 3 rd party	515	105	2	1.90%
17	50 Ill. Adm. Code 919.30(c)	PPA 3 rd Party CWP: detailed claim file documentation missing	515	105	2	1.90%
22	50 Ill. Adm. Code 919.80(c)	PPA Total Losses: failure to provide insured Exhibit A (\$3,418.89 payments to insureds)	61	61	61	100%
23	50 Ill. Adm. Code 919.80(b)(2)	PPA Total Losses: failed to send proper delay letter (21 no letter, 8 late, 5 incorrect DOI address, 1 no reasonable explanation, 1 late and incorrect DOI address)	61	61	36	59.02%
24	50 Ill. Adm. Code 919.30(c)	PPA Total Losses: detailed claim file documentation missing	61	61	4	6.56%
25	50 Ill. Adm. Code 919.90(e)	PPA Total Losses: failed to take salvage of the total loss vehicle	61	61	2	3.28%
26	50 Ill. Adm. Code 919.50(a)(1)	PPA Total Losses: failed to send denial letter	61	61	2	3.28%
33	50 Ill. Adm. Code 919.50(a)	PPA Subrogation: fail to tender payment within 30 days	48	48	7	14.58%
34	215 ILCS 5/143b	PPA Subrogation: fail to pay pro rata share of deductible (\$2,670.35 payments to insureds)	48	48	8	16.67%
Int. #1	215 ILCS 5/143.25a	PPA Renewals: no procedure to inform insured at 1 st renewal of savings by taking higher deductibles	N/A	N/A	N/A	100%
Int. #2	50 Ill. Adm. Code 926.50	Consumer Complaints: failure to maintain Consumer Complaints	N/A	N/A	N/A	100%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
Int. #4	50 Ill. Adm. Code 919.80(d)(2)	Third Party Claims: failure to advise 3 rd party where to obtain rental for flat rental amount company will pay	N/A	N/A	N/A	100%

II. BACKGROUND

MENDAKOTA CASUALTY COMPANY

Mendakota Casualty Company (MCC or Company) was incorporated in the state of Illinois on January 12, 1949, and commenced operations on January 21, 1949. The Company is a wholly owned subsidiary of Mendota Insurance Company, which is a wholly owned subsidiary of Kingsway America Inc. (KAI), an insurance holding company and ultimately a wholly owned subsidiary of Kingsway Financial Services Inc. (KFSI), a publicly owned holding company based in Mississauga, Ontario, Canada.

MCC is a property and casualty insurance company licensed in Arizona, Arkansas, California, Illinois, Indiana, Kentucky, New Mexico, New York, Oklahoma, and Washington. In addition, the Company has Surplus Lines authority in Kansas, Louisiana, and New Jersey.

The Company discontinued writing all new and renewal business within MCC during 2011, ultimately replacing MCC in the Illinois marketplace with another company within the KAI group. This initiative was completed during 2012. As of December 31, 2014, the Company had no in-force policies. MCC resumed writing private passenger auto policies in Illinois during the 2nd quarter of 2015.

MCC is part of the Mendota Insurance Group, which includes two affiliated companies, Mendota Insurance Company (MDT) and Mendakota Insurance Company (DAK). MCC writes only in Illinois and the other companies write in other states. All companies only write Private Passenger Auto business. The three companies combined make up the Non Standard Auto (NSA) business unit and the results are managed on this basis.

2016 State Page Exhibit – 019 (Illinois)
Mendakota Casualty Company

Line	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
Other private passenger auto liability	10,360,680	10,675,426	3,681,733	6,511,958
Private passenger auto physical damage	7,284,980	7,003,610	3,969,035	3,979,860
Totals	17,645,660	17,679,036	7,650,768	10,491,818

III. METHODOLOGY

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

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

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

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

Risk Selection

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

Underwriting

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

Claims

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

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department regulations (50 Ill. Adm. Code 101 *et seq.*).

Complaints

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

IV. SELECTION OF SAMPLES

	<u>Total Files</u>	<u># Reviewed</u>	<u>% Reviewed</u>
Complaints			
Department of Insurance	38	38	100%
Consumer Complaints	0	0	N/A
Risk Selection			
PPA Cancels (60 day)	1429	114	7.98%
PPA Cancels (midterms)	16	16	100%
PPA Non-Pay Cancels	13,822	86	0.62%
PPA Nonrenewals (under 5 years)	1071	114	10.64%
PPA Nonrenewals (5 or more years)	0	0	N/A
PPA Rescissions	0	0	N/A
Producer Terminations	84	79	94.05%
Underwriting			
PPA Auto New Business	10,360	116	1.12%
PPA Renewals	16,902	116	0.69%
Producer Licensing Commissions Paid	2869	108	3.76%
Claims			
PPA First Party Paid	1050	107	10.19%
PPA First Party CWP	740	105	14.19%
PPA Third Party Property Damage Paid	1256	107	8.52%
PPA Third Party Property Damage CWP	515	105	20.39%
PPA Total Losses First Party	61	61	100%
PPA Subrogation	48	48	100%

V. FINDINGS

A. Complaints

1. Department of Insurance Complaints

There were 45 files examined. Seven (7) were disqualified leaving 38 files in the survey. The Company was in violation of 50 Ill. Adm. Code 926.50 in these 38 files (100% of the survey) for failing to maintain the complaint information as outlined in Exhibit A and as defined in Exhibit B.

In five (5) complaint files (13.16% of the 38 examined) the Company failed to respond to all of the concerns noted in the complaint and were in violation of 50 Ill. Adm. Code 926.40(b)(1).

2. Consumer Complaints

There were no Consumer Complaints.

B. Risk Selection

1. Private Passenger Auto Company Initiated Cancellations (60 day)

In 114 files (100% of the 114 examined), the Company failed to notify the named insured of the possible eligibility for insurance through the Illinois Automobile Insurance Plan. The Company was in violation of 215 ILCS 5/143.20.

2. Private Passenger Auto Company Initiated Cancellations (midterms)

In 16 files (100% of the 16 examined), the Company failed to notify the named insured of the possible eligibility for insurance through the Illinois Automobile Insurance Plan. The Company was in violation of 215 ILCS 5/143.20.

In 16 files (100% of the 16 examined), the Company failed to advise the named insured of the right to appeal the cancellation and the procedure to follow for such appeal. The Company was in violation of 215 ILCS 5/143.23.

In 13 files (81.25% of the 16 examined), the Company canceled the policy for reasons not allowed when the policy had been effective for 60 days or more. The Company was in violation of 215 ILCS 5/143.19.

In two (2) files (12.50% of the 16 examined), the Company failed to mail the notice of cancellation to the named insured at least 30 days prior to the effective date of cancellation in violation of 215 ILCS 5/143.15.

3. Private Passenger Auto Non-Pay Cancellations

There were no criticisms.

4. Private Passenger Auto Nonrenewals (under 5 years)

There were no criticisms.

5. Private Passenger Auto Nonrenewals (5 or more years)

There were no policies renewed 5 or more years.

6. Private Passenger Auto Rescissions

There were no rescissions.

7. Producer Terminations

There were no criticisms.

C. Underwriting

1. Private Passenger Auto New Business

There were no criticisms.

2. Private Passenger Auto Renewals

There were no criticisms.

D. Producer Licensing

There were no criticisms.

E. Claims

1. Private Passenger Auto First Party Paid

There were 111 files used in computing the median. The median payment period was 27 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	65	58.6
31-60	24	21.6
61-90	10	9.0
91-180	11	9.9
181-365	0	0.0
<u>over 365</u>	<u>1</u>	<u>0.9</u>
Total	111	100

(There were 107 claim files selected in the First Party Median and Paid Survey. When sampling, four (4) of those files were total losses that were also selected in the total loss survey. To avoid possibly criticizing a file twice, the examiner used these four (4) files only in computing the median payment period and replaced the file with the next file from the universe and examined those files. As a result, 111 files were used in computing the median instead of 107.)

When a first party physical damage claim remains unresolved for more than 40 calendar days from the date the loss is reported, a delay letter is to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). The letter must include a reasonable written explanation for the delay, be sent within 40 days from the date the loss was reported, and include Notice of Availability of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40. The Company failed to be in compliance in 27 files (25.23% of the 107 examined). The Company failed to send a delay letter in 11 files. The Company sent the delay letter late in 11 files. The address of the Illinois Department of Insurance was incorrect in four (4) files and in one (1) file the Company sent the delay letter late and the address of the Chicago Department of Insurance was incorrect.

In 21 files (19.63% of the 107), detailed documentation was missing which did not permit reconstruction of the Company's activities relative to the claims files. The Company was in violation of 50 Ill. Adm. Code 919.30(c).

In 15 files (14.02% of the 107 examined), the Company failed to provide the insured with, at a minimum, the information contained in Exhibit A when the insured vehicle had been determined a total loss. The Company was in violation of 50 Ill. Adm. Code 919.80(c). Payments were made to insureds totaling \$2,348.18.

In eight (8) files (7.48% of the 107 examined), the Company failed to tender payment within 30 days in violation of 50 Ill. Adm. Code 919.50(a).

In one (1) file (0.93% of the 107 examined) which was a total loss, the Company was in violation of 50 Ill. Adm. Code 919.80(c)(2)(E). There was no documentation in the file of how the Actual Cash Value (“ACV”) of the total loss vehicle was determined.

2. Private Passenger Auto First Party Closed Without Payment

When a first party physical damage claim remains unresolved for more than 40 calendar days from the date the loss is reported, a delay letter is to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). The letter must include a reasonable written explanation for the delay, be sent within 40 days from the date the loss was reported, and include Notice of Availability of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40. The Company failed to be in compliance in 34 files (32.38% of the 105 examined). The Company sent the delay letter late in 13 files. The address of the Illinois Department of Insurance was incorrect in 11 files. In five (5) files there was no evidence a delay letter was sent. The letter was late and had the incorrect address of the Department of Insurance in three (3) files and in two (2) files the delay letter failed to include the Notice of Availability of the Department of Insurance.

In one (1) file (0.95% of the 105 examined) the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1). On the denial letter to the insured the Notice of Availability included the incorrect address of the Illinois Department of Insurance.

In one (1) file (0.95% of the 105 examined), detailed documentation was missing which did not permit reconstruction of the Company’s activities relative to the claim file. The Company was in violation of 50 Ill. Adm. Code 919.30(c).

3. Private Passenger Auto Third Party Property Damage Paid

There were 107 files used to compute the median. The median payment period was 60 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	31	29.0
31-60	23	21.5
61-90	16	15.0
91-180	15	14.0
181-365	18	16.8
<u>over 365</u>	<u>4</u>	<u>3.7</u>
Total	107	100

(When taking out arbitration, litigation and subrogation files, the median was 42 days with 58 files.)

When a third party physical damage claim remains unresolved for more than 60 calendar days from the date the loss is reported, a delay letter is to be provided the third party claimant as outlined in 50 Ill. Adm. Code 919.80(b)(3). The letter must include a reasonable written explanation for the delay, be sent within 60 days from the date the loss was reported, and include Notice of Availability of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40. The Company failed to be in compliance in 16 files (14.95% of the 107 examined). The delay letter was not sent in six (6) files. The address of the Department of Insurance was incorrect in five (5) files. The delay letter was sent late in four (4) files and in one (1) file the delay letter was late and had the incorrect address of the Department of Insurance on the Notice of Availability.

In two (2) files (1.87% of the 107 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a). The Company failed to tender payment within 30 days.

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

When a third party physical damage claim remains unresolved for more than 60 calendar days from the date the loss is reported, a delay letter is to be provided the third party claimant as outlined in 50 Ill. Adm. Code 919.80(b)(3). The letter must include a reasonable written explanation for the delay, be sent within 60 days from the date the loss was reported, and include Notice of Availability of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40. The Company failed to be in compliance in 23 files (21.90% of the 105 examined). The delay letter was not sent in eight (8) files. The address of the Department of Insurance was incorrect in five (5) files. The delay letter was sent late in five (5) files. The delay letter was sent late and had an incorrect Department of Insurance address in four (4) files and in one (1) file the Department of Insurance address was omitted.

In two (2) files (1.90% of the 105 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a)(2) for failing to provide the third party claimant a denial letter when the claim was denied.

In two (2) files (1.90% of the 105 examined), detailed documentation was missing which did not permit reconstruction of the Company's activities relative to the claims files. The Company was in violation of 50 Ill. Adm. Code 919.30(c).

5. Private Passenger Auto Total Losses First Party

In 61 files (100% of the 61 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c) for failing to provide the insured with, at a minimum, the information contained in Exhibit A. Payments were made to insureds totaling \$3,418.89 for sales tax and title and transfer fees.

When a first party physical damage claim remains unresolved for more than 40 calendar days from the date the loss is reported, a delay letter is to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). The letter must include a reasonable written explanation for the delay, be sent within 40 days from the date the loss was reported, and include Notice of Availability of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40. The Company failed to be in compliance in 36 files (59.02% of the 61 examined). The Company failed to send a delay letter in 21 files. The Company sent the delay letter late in eight (8) files. The address of the Illinois Department of Insurance was incorrect in five (5) files. In one (1) file the explanation failed to be reasonable and in one (1) file the Company sent the delay letter late and the address of the Illinois Department of Insurance was incorrect.

In four (4) files (6.56% of the 61 examined), detailed documentation was missing which did not permit reconstruction of the Company's activities relative to the claims files. The Company was in violation of 50 Ill. Adm. Code 919.30(c).

In two (2) files (3.28% of the 61 examined), the Company was in violation of 50 Ill. Adm. Code 919.90(e) for failing to take the salvage of two (2) total loss vehicles.

In two (2) files (3.28% of the 61 examined) the Company failed to send a written denial letter to the insured when not paying submitted towing bills. The Company was in violation of 50 Ill. Adm. Code 919.50(a)(1).

6. Private Passenger Auto Subrogation

In (7) files (14.58% of the 48 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a). The Company failed to tender payment within 30 days.

In eight (8) files (16.67% of the 48 examined), the Company was in violation of 215 ILCS 5/143b for failing to pay the insured the pro rata share of the deductible. There were seven (7) payments made to insureds totaling \$2,670.35.

VI. INTERRELATED FINDINGS

1. From the response to Interrogatory #1, the Company does not have a procedure, prior to the first renewal, to notify Illinois automobile policyholders that they could purchase such renewal at a premium savings for collision and comprehensive coverage if higher deductibles were purchased. Such notices are required by 215 ILCS 5/143.25a.
2. From the response to Interrogatory #2, the Company stated it was unaware complaints received directly from the consumer were to be maintained in the same manner as Department of Insurance complaints. Maintenance of such complaints is required by 50 Ill. Adm. Code 926.50.
3. From the response to Interrogatory #4, the Company failed to disclose to third party claimants where they could obtain a rental car for the flat rental amount the Company will pay. This disclosure is mandated by 50 Ill. Adm. Code 919.80(d)(2).

STATE OF ILLINOIS)
) ss
COUNTY OF SANGAMON)

Roger Henschen, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Mendota Casualty Company, (the "Company"), NAIC 42862.

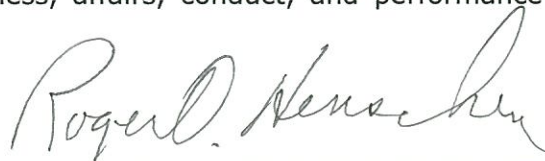
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

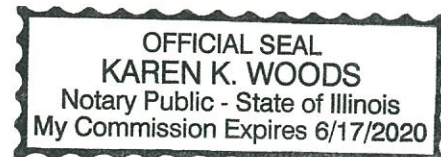
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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 16 day of FEBRUARY, 2017


Notary Public

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

MENDAKOTA CASUALTY COMPANY
150 PIERCE ROAD, 6TH FLOOR
ITASCA, IL 60143-1222

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, Mendakota Casualty Company ("the Company"), NAIC 42862, 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 maintain a complaint record with the required minimum information for complaints received from the Department, as well as those received directly from the consumer, as required by 50 Ill. Adm. Code 926.50.
2. Institute and maintain policies and procedures whereby the Company addresses all issues and concerns brought up during the complaint handling process as required by 50 Ill. Adm. Code 926.40 (b)(1).
3. Institute and maintain policies and procedures whereby the Company shall notify the named insured of his or her possible eligibility for insurance through the Illinois Automobile Insurance Plan when canceling the auto policy as required by 215 ILCS 5/143.20.
4. Institute and maintain policies and procedures whereby the Company shall advise the insured of the right to appeal and the procedure to follow for such appeal when canceling the policy as required by and outlined in 215 ILCS 5/143.23.
5. Institute and maintain policies and procedures whereby the Company shall only cancel policies for the reasons expressly permitted in 215 ILCS 5/143.19 where the policy has been in effect for 60 days or is a renewal policy.
6. Institute and maintain policies and procedures whereby the Company shall provide the notice of cancellation at least 30 days prior to the effective date as required by 215 ILCS 5/143.15.
7. Institute and maintain policies and procedures whereby the Company shall provide a timely delay letter with all required information to the insured when a claim remains unresolved for more than 40 days as required by 50 Ill. Adm. Code 919.80(b)(2).
8. Institute and maintain procedures to maintain documentation in each of its claim files, which permits its claims activities to be reconstructed as required by 50 Ill. Adm. Code 919.30 (c).
9. 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).

10. Institute and maintain policies and procedures whereby the Company shall affirm or deny liability on claims within a reasonable time and shall offer payment within 30 days after determination of liability as required by 50 Ill. Adm. Code 919.50(a).
11. Institute and maintain policies and procedures whereby the Company shall provide a timely delay letter with all required information to the third-party claimant when a third-party claim remains unresolved for more than 60 calendar days from the date it is reported as required by 50 Ill. Adm. Code 919.80(b)(3)
12. Institute and maintain policies and procedures whereby the Company shall timely reimburse the pro rata amount of the insured's deductible after recovery from the adverse party as required by 215 ILCS 5/143b.
13. Institute and maintain policies and procedures whereby the Company informs automobile policyholders, prior to the first renewal, that they could purchase such renewal at a premium savings for collision and comprehensive coverage if higher deductibles are purchased as is required by 215 ILCS 5/143.25a.
14. Institute and maintain policies and procedures whereby the Company shall, in those cases where the company pays a flat rental amount per day, week or month, disclose to the claimant where they can obtain a vehicle for the amount of its payment as required by 50 Ill. Adm. Code 919.80(d)(2).
15. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above 14 orders within 30 days of execution of this Order.
16. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$46,350.00 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 MENDAKOTA CASUALTY COMPANY

Stephen J. Harrison
Signature

Stephen J. Harrison
Name

President
Title

Subscribed and sworn to before me this
20th day of November 2018.

Anne L. Bogitsh
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 11/29/18

Jennifer Hammer
Jennifer Hammer
Director

