



Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

October 4, 2017

David M. Kane
President
Badger Mutual Insurance Company
1635 West National Avenue
Milwaukee, WI 53204

Re: Badger Mutual Insurance Company, NAIC 13420
Market Conduct Examination Report Closing Letter

Dear Mr. Kane:

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 "Jack Engle".

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

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

Badger Mutual Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: March 1, 2017 through May 19, 2017

EXAMINATION OF: Badger Mutual Insurance Company
NAIC Number: 13420

LOCATION OF EXAMINATION: 1635 West National Avenue
Milwaukee, Wisconsin 53204

320 West Washington Street
Springfield, Illinois 62767

PERIOD COVERED BY EXAMINATION: December 1, 2015 through November 30, 2016
Complaints – June 1, 2015 through November 30, 2016

EXAMINERS: John C. Watts
Roger O. Henschen, Examiner-in-Charge

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I. SUMMARY

A comprehensive market conduct examination of Badger Mutual Insurance Company, hereinafter referred to as “Badger” or “the Company”, was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

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

TABLE OF TOTAL VIOLATIONS						
Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
1	215 ILCS 5/143.15	PPA 60 Day Cancels: nonspecific reason for cancellation	6	6	1	16.67%
2	215 ILCS 5/143.17(a)	PPA Nonrenewals (less than 5 years): lien holder notice not same notice as insured notice	22	22	14	63.64%
3	215 ILCS 5/143.17(a)	PPA Nonrenewals (5 or more years): lien holder notice not same notice as insured notice	58	58	33	56.90%
4	215 ILCS 5/143.17(a)	Homeowner Nonrenewals (less than 5 years): lien holder notice not same as insured notice	45	45	38	84.44%
5	215 ILCS 5/143.27	Homeowner Nonrenewals (less than 5 years): no rehab	45	45	1	2.22%
6	215 ILCS 5/143.17(a)	Homeowner Nonrenewals (5 or more years): lien holder notice not same as insured notice	128	79	64	81.01%
7	215 ILCS 5/143.27	Homeowner Nonrenewals (5 or more years): no rehab	128	79	1	1.27%
8	215 ILCS 5/143.17(a)	Dwelling Fire Nonrenewals (less than 5 years): lien holder notice not same as insured notice	8	8	4	50.00%
9	215 ILCS 5/143.17(a)	Dwelling Fire Nonrenewals (5 or more years): lien holder notice not same as insured notice	17	17	14	82.35%
10	215 ILCS 5/143.16	Commercial Pkg/Prop 60 day Cancels: nonspecific reason for cancellation	30	30	4	13.33%
11	215 ILCS 5/143.17a(d)	Commercial Pkg/Prop Nonrenewals: lien holder notice not same as insured notice	101	79	41	51.90%
12	215 ILCS 5/143.17a(a)	Commercial Pkg/Prop Nonrenewals: nonspecific reasons	101	79	3	3.80%
13	215 ILCS 5/805.1(a)	Homeowner New Business: fail to issue with Mine Subsidence coverage	220	84	3	3.57%
15	215 ILCS 5/154.6(l)	PPA 1 st Party Paid: fail to include coverage when making payment to policyholder	200	76	6	7.89%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
16	50 Ill. Adm. Code 919.80(b)(2)	PPA 1st Party Paid: failure to provide delay letter or failure to include a reasonable written explanation	200	76	4	5.26%
17	50 Ill. Adm. Code 919.80(b)(2)	PPA 1 st Party CWP: failure to provide delay letter or failure to send timely	60	60	8	13.33%
18	50 Ill. Adm. Code 919.80(b)(3)	PPA 3 rd Party Paid: failure to provide delay letter or failure to send timely	175	76	3	3.95%
19	50 Ill. Adm. Code 919.80(b)(3)	PPA 3 rd Party CWP: failure to provide delay letter, failure to send timely or failure to provide correct Notice of Availability	30	30	7	23.33%
20	215 ILCS 5/154.6(c)	PPA 3 rd Party CWP: no prompt investigation	30	30	3	10.00%
21	50 Ill. Adm. Code 919.80(c)	PPA Total Losses: no evidence Exhibit A sent to insured	43	43	43	100%
22	215 ILCS 5/154.6(l)	PPA Total Losses: fail to include coverage when making payment to policyholder	43	43	31	72.09%
23	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	PPA Total Losses: failure to pay transfer and title fees (underpayments of \$916.00 paid)	43	43	7	16.28%
24	50 Ill. Adm. Code 919.30(c)	PPA Total Losses: detailed documentation missing	43	43	5	11.63%
25	50 Ill. Adm. Code 919.60(a)	Homeowner Paid: check to insured reads final payment	241	82	31	37.80%
26	50 Ill. Adm. Code 919.80(d)(7)(B)	Homeowner Paid: failure to provide delay letter	241	82	1	1.22%
27	50 Ill. Adm. Code 919.50(a)(1)	Homeowner Paid: failure to provide correct Notice of Availability on partial denial letter	241	82	1	1.22%
28	215 ILCS 5/397.1(a)	Homeowner Paid: failure to receive a certificate when structure fire loss exceeds \$25,000	241	82	1	1.22%
29	50 Ill. Adm. Code 919.50(a)(1)	Homeowner CWP: failure to provide Notice of Availability or failure to provide correct Notice of Availability on denial letter	94	76	7	9.21%
30	50 Ill. Adm. Code 919.80(d)(7)(B)	Homeowner CWP: failure to provide delay letter or failure to provide correct Notice of Availability	94	76	4	5.26%
31	50 Ill. Adm. Code 919.60(a)	Dwelling Fire Paid: check to insured reads final payment	35	35	6	17.14%
32	50 Ill. Adm. Code 919.50(a)(1)	Dwelling Fire Paid: failure to include correct Notice of Availability on written explanation of lower offer of settlement	35	35	3	8.57%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
33	50 Ill. Adm. Code 919.80(d)(7)(B)	Dwelling Fire Paid: failure to provide delay letter	35	35	1	2.86%
34	215 ILCS 5/397.1(a)	Dwelling Fire Paid: failure to receive proper certificate when structure fire loss exceeds \$25,000	35	35	1	2.86%
35	50 Ill. Adm. Code 919.50(a)(1)	Dwelling Fire CWP: failure to include Notice of Availability or provide correct Notice of Availability on denial letter	19	19	4	21.05%
36	820 ILCS 305/8.2(d)(1)	Work Comp Paid: failed to pay provider within 30 days (late)	69	69	8	11.59%
37	820 ILCS 305/8.2(d)(3)	Work Comp Paid: failed to pay interest on late payments (underpayments of \$195.28 paid)	69	69	8	11.59%
38	50 Ill. Adm. Code 9110.70(a)(2)	Work Comp CWP: failed to provide denial letter for temporary total compensation	44	44	1	2.27%
39	50 Ill. Adm. Code 9110.70(a)(3)	Work Comp CWP: failure to send employee within 14 days notification of what info is needed and why needed in order to determine liability	44	44	1	2.27%
Inter. #1	215 ILCS 5/143.25a	PPA renewals: no notification of premium savings for higher deductibles for collision and comprehensive	131	79	79	100%
Inter. #6	820 ILCS 305/19(o)	Work Comp Paid: failure to provide required monthly and year end loss information to insured	69	69	69	100%
Inter. #10	215 ILCS 5/456(1)(e)	Work Comp New Business: no mandatory offer of at least a \$1,000 deductible	68	68	68	100%

II. BACKGROUND

The following was the subject of the Market Conduct Exam:

BADGER MUTUAL INSURANCE COMPANY

This mutual organization began business on March 13, 1887, and was incorporated on June 6, 1891. Prior to the adoption of its present title on February 20, 1948, it operated as The Badger Mutual Fire Insurance Company.

Badger Mutual is a multiple line insurer writing both personal and standard commercial lines of insurance in the Midwest and several Western states, with its home state of Wisconsin still constituting approximately half of its total premiums. The Company also writes business in Illinois, Michigan, Minnesota, Arizona, Nevada, Iowa, Idaho, Utah and Wyoming. In 2005-2006, Badger Mutual implemented a long-term business growth strategy to diversify geographically to several Western states. Badger Mutual's current Midwest/West premium mix is 85%/15% and its long-term strategic goal is to write 20% of its premiums in Western states.

Coverages provided include private passenger automobile liability and physical damage, commercial multiple peril, homeowners, fire and allied lines. The Company's personal and commercial lines mix is now roughly two-thirds/one-third, with personal lines growth flat from competitive pricing in the Midwest while commercial lines are generating single-digit annual growth due to attractive long-term profitability prospects. Behind homeowners, commercial multiple peril is the Company's second largest line of business. The Company's commercial writings are primarily small restaurants, taverns and older urban apartment buildings. In mid-2014, the Company discontinued writing liquor liability coverage in Arizona which was unprofitable and a source of adverse reserve development in recent years.

Business is produced through approximately 420 independent agents, with over 70% representing the Company for over ten years. Badger is committed to the independent agent channel, particularly smaller agencies that tend to be over-looked by the Company's largest competitors. Policies are issued on a non-assessable basis.

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Line	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
Fire	599,023	628,006	32,349	15,499
Allied lines	229,014	240,588	155,909	154,742
Homeowners multiple peril	4,370,698	4,615,336	2,734,487	3,136,498
Commercial multiple peril (non-liability portion)	8,096,288	8,133,367	3,051,350	2,847,459
Commercial multiple peril (liability portion)	5,942,696	6,056,205	3,538,367	2,560,789
Inland marine	52	52	0	0
Workers' compensation	1,694,579	1,863,716	457,181	1,056,593
Other liability-occurrence	63,732	134,659	0	241,740
Other private passenger auto liability	1,582,986	1,614,531	1,236,313	901,643
Private passenger auto physical damage	1,364,921	1,377,868	916,107	923,813
Totals	23,943,989	24,664,328	12,122,063	11,838,776

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 was accomplished through examination of individual underwriting and claim files, written interrogatories and interviews with Company personnel. Each of these categories was examined for compliance with Illinois 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.*), the Illinois Workers' Compensation Act (820 ILCS 305/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*).

Complaints

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

IV. SELECTION OF SAMPLES

	<u>Total Files</u>	<u># Reviewed</u>	<u>% Reviewed</u>
A. <u>Risk Selection</u>			
1. PPA Cancellations (60 day)	6	6	100%
2. PPA Cancellations (midterms)	0	0	N/A
3. PPA Non-Pay Cancellations	129	79	61.24%
4. PPA Nonrenewals (less than 5 years)	22	22	100%
5. PPA Nonrenewals (5 or more years)	58	58	100%
6. Homeowner Cancellations (60 day)	3	3	100%
7. Homeowner Cancellations (midterms)	31	31	100%
8. Homeowner Non-Pay Cancellations	74	74	100%
9. Homeowner Nonrenewals (less than 5 years)	45	45	100%
10. Homeowner Nonrenewals (5 or more years)	128	79	61.72%
11. Dwelling Fire Cancellations (60 day)	0	0	N/A
12. Dwelling Fire Cancellations (midterms)	3	3	100%
13. Dwelling Fire Non-Pay Cancellations	16	16	100%
14. Dwelling Fire Nonrenewals (less than 5 years)	8	8	100%
15. Dwelling Fire Nonrenewals (5 or more years)	17	17	100%
16. Workers' Compensation Cancellations (60 day)	0	0	N/A
17. Workers' Compensation Cancellations (midterms)	0	0	N/A
18. Workers' Compensation Non-Pay Cancellations	1	1	100%
19. Workers' Compensation Nonrenewals	0	0	100%
20. Commercial Package/Property Cancellations (60 day)	30	30	100%
21. Commercial Package/Property Cancellations (midterms)	2	2	100%
22. Commercial Package/Property Non-Pay Cancellations	84	79	94.05%
23. Commercial Package/Property Nonrenewals	101	79	78.22%
24. Rescissions	0	0	N/A
25. Producer Terminations	3	3	100%
B. <u>Underwriting</u>			
1. PPA New Business	231	84	36.36%
2. Homeowner New Business	220	84	38.18%
3. Dwelling Fire New Business	36	36	100%
4. Workers' Compensation New Business	68	68	100%
5. Commercial Renewals	2461	115	4.67%
6. Producer Licensing – Commissions Paid	2136	115	5.38%

C. Claims

1. PPA First Party Paid	200	76	38%
2. PPA First Party CWP	60	60	100%
3. PPA Third Party Property Damage Paid	175	76	43.43%
4. PPA Third Party Property Damage CWP	30	30	100%
5. PPA Total Losses	43	43	100%
6. PPA Subrogation	32	32	100%
7. Homeowner Paid	241	82	34.02%
8. Homeowner CWP	94	76	80.85%
9. Dwelling Fire Paid	35	35	100%
10. Dwelling Fire CWP	19	19	100%
11. Workers' Compensation Paid	69	69	100%
12. Workers' Compensation CWP	44	44	100%

D. Complaints

1. Department of Insurance Complaints	10	10	100%
2. Consumer Complaints	2	2	100%

V. FINDINGS

A. Risk Selection

1. Private Passenger Auto Cancellations (60 day)

In one (1) file (16.67% of the 6 examined), the Company failed to provide a specific explanation of the reason or reasons for cancellation in violation of 215 ILCS 5/143.15.

2. Private Passenger Auto Cancellations (midterms)

There were no midterm cancellations.

3. Private Passenger Auto Non-Pay Cancellations

There were no criticisms.

4. Private Passenger Auto Nonrenewals (less than 5 years)

In 14 files (63.64% of the 22 examined), the notice sent to the mortgagee or lien holder failed to be an exact and unaltered copy of the notice sent to the named insured. The Company was in violation of 215 ILCS 5/143.17(a).

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

In 33 files (56.90% of the 58 examined), the notice sent to the mortgagee or lien holder failed to be an exact and unaltered copy of the notice sent to the named insured. The Company was in violation of 215 ILCS 5/143.17(a).

6. Homeowner Cancellations (60 day)

There were no criticisms.

7. Homeowner Cancellations (midterms)

There were no criticisms.

8. Homeowner Non-Pay Cancellations

There were no criticisms.

9. Homeowner Nonrenewals (less than 5 years)

In 38 files (84.44% of the 45 examined), the notice sent to the mortgagee or lien holder failed to be an exact and unaltered copy of the notice sent to the named insured. The Company was in violation of 215 ILCS 5/143.17(a).

In one (1) file (2.22% of the 45 examined), the Company was in violation of 215 ILCS 5/143.27. The policy was canceled due to repair/rehab issues. A notice of need to repair from the insurance company to the insured was required allowing the named insured a reasonable period of time in which to repair defects in the property. There was no notice.

10. Homeowner Nonrenewals (5 or more years)

In 64 files (81.01% of the 79 examined), the notice sent to the mortgagee or lien holder failed to be an exact and unaltered copy of the notice sent to the named insured. The Company was in violation of 215 ILCS 5/143.17(a).

In one (1) file (1.27% of the 79 examined), the Company was in violation of 215 ILCS 5/143.27. The policy was canceled due to repair/rehab issues. A notice of need to repair from the insurance company to the insured was required allowing the named insured a reasonable period of time in which to repair defects in the property. There was no notice.

11. Dwelling Fire Cancellations (60 day)

There were no 60 day cancellations.

12. Dwelling Fire Cancellations (midterms)

There were no criticisms.

13. Dwelling Fire Non-Pay Cancellations

There were no criticisms.

14. Dwelling Fire Nonrenewals (less than 5 years)

In four (4) files (50.00% of the 8 examined), the notice sent to the mortgagee or lien holder failed to be an exact and unaltered copy of the notice sent to the named insured. The Company was in violation of 215 ILCS 5/143.17(a).

15. Dwelling Fire Nonrenewals (5 or more years)

In 14 files (82.35% of the 17 examined), the notice sent to the mortgagee or lien holder failed to be an exact and unaltered copy of the notice sent to the named insured. The Company was in violation of 215 ILCS 5/143.17(a).

16. Workers' Compensation Cancellations (60 day)

There were no 60 day cancellations.

17. Workers' Compensation Cancellations (midterms)

There were no midterm cancellations.

18. Workers' Compensation Non-Pay Cancellations

There were no criticisms.

19. Workers' Compensation Nonrenewals

There were no nonrenewals.

20. Commercial Package/Property Cancellations (60 day)

In four (4) files (13.33% of the 30 examined), the Company failed to provide a specific explanation of the reason or reasons for cancellation in violation of 215 ILCS 5/143.16.

21. Commercial Package/Property Cancellations (midterms)

There were no criticisms.

22. Commercial Package/Property Non-Pay Cancellations

There were no criticisms.

23. Commercial Package/Property Nonrenewals

In 41 files (51.90% of the 79 examined), the notice sent to the mortgagee or lien holder failed to be an exact and unaltered copy of the notice sent to the named insured. The Company was in violation of 215 ILCS 5/143.17a(d).

In three (3) files (3.80% of the 79 examined), the Company failed to provide a specific explanation of the reasons for nonrenewal in violation of 215 ILCS 5/143.17a(a).

24. Rescissions

There were no rescissions.

25. Producer Terminations

There were no criticisms.

B. Underwriting

1. Private Passenger Auto New Business

There were no criticisms.

2. Homeowner New Business

In three (3) files (3.57% of the 84 examined), the Company failed to provide mine subsidence coverage as outlined in and in violation of 215 ILCS 5/805.1(a).

3. Dwelling Fire New Business

There were no criticisms.

4. Workers' Compensation New Business

There were no criticisms.

5. Commercial Renewals

There were no criticisms.

6. Producer Licensing – Commissions Paid

There were no criticisms.

C. Claims

1. Private Passenger Auto First Party Paid

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

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	66	86.8
31-60	8	10.5
61-90	2	2.6
91-180	0	0.0
181-365	0	0.0
<u>over 365</u>	<u>0</u>	<u>0.0</u>
Total	76	100

In six (6) files (7.89% of the 76 examined), when making a claims payment to the policyholder, the Company failed to include the coverage under which the payment was being made in violation of 215 ILCS 5/154.6(1).

In four (4) files (5.26% of the 76 examined), the Company failed to provide a reasonable written explanation for the delay to the insured when a claim remained unresolved for more than 40 calendar days from the date the loss was reported in violation of 50 Ill. Adm. Code 919.80(b)(2). In three (3) files the Company failed to send a delay letter and in one (1) file the delay letter did not include a reasonable written explanation for the delay.

2. Private Passenger Auto First Party Closed Without Payment

In eight (8) files (13.33% of the 60 examined), the Company failed to provide a reasonable written explanation for the delay to the insured when a claim remained unresolved for more than 40 calendar days from the date the loss was reported in violation of 50 Ill. Adm. Code 919.80(b)(2). In two (2) files the Company failed to send a delay letter and in six (6) files the delay letter was not sent timely.

3. Private Passenger Auto Third Party Property Damage Paid

The median payment period was 23 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	48	63.2
31-60	7	9.2
61-90	7	9.2
91-180	10	13.2
181-365	3	3.9
<u>over 365</u>	<u>1</u>	<u>1.3</u>
Total	76	100

(When taking out arbitration, litigation and subrogation files, the median was 14 days with 56 files.)

In three (3) files (3.95% of the 76 examined), the Company failed to provide a reasonable written explanation for the delay to the third party when a claim remained unresolved for more than 60 calendar days from the date the loss was reported in violation of 50 Ill. Adm. Code 919.80(b)(3). In two (2) files the Company failed to send a delay letter and in one (1) file the delay letter was not sent timely.

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

In seven (7) files (23.33% of the 30 examined), the Company failed to provide a reasonable written explanation for the delay to the third party when a claim remained unresolved for more than 60 calendar days from the date the loss was reported in violation of 50 Ill. Adm. Code 919.80(b)(3). In four (4) files the Company failed to send a delay letter, in two (2) files the delay letter was not sent timely and in one (1) file the Company included an incorrect Notice of Availability of the Department of Insurance in the delay letter.

In three (3) files (10.00% of the 30 examined), the Company failed to promptly investigate and settle the claim as outlined in 215 ILCS 5/154.6(c). The insured was clearly at fault but no bonafide effort was made to contact the third party in violation of 50 Ill. Adm. Code 919.40.

5. Private Passenger Auto Total Losses

In 43 files (100% of the 43 examined), the Company failed to provide the insured with, at a minimum, the information contained in Exhibit A and provide that information within seven (7) days of the insured vehicle being determined a total loss in violation of 50 Ill. Adm. Code 919.80(c).

In 31 files (72.09% of the 43 examined), the Company failed to include the coverage under which payment had been made when making a claims payment to the policyholder. The Company was in violation of 215 ILCS 5/154.6(l).

In seven (7) files (16.28% of the 43 examined), the Company failed to pay transfer and title fees in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i) creating seven (7) underpayments totaling \$916.00. Payments have been made.

In five (5) files (11.63% of the 43 examined), detailed documentation was missing resulting in a violation of 50 Ill. Adm. Code 919.30(c). In these five (5) files the vehicle was retained by the owner. There was no documentation of the salvage amount that reduced the payment to the insured.

6. Private Passenger Auto Subrogation

There were no criticisms.

7. Homeowner Paid

The median payment period was 21 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	54	65.9
31-60	17	20.7
61-90	3	3.7
91-180	5	6.1
181-365	2	2.4
<u>over 365</u>	<u>1</u>	<u>1.2</u>
Total	82	100

In 31 files (37.80% of the 82 examined), the Company indicated to the insured when making payment that such payment was “final” or “a release” of the claim when the policy limit had not been paid or there was no dispute over the coverage or the amount payable. The Company was in violation of 50 Ill. Adm. Code 919.60(a).

In one (1) file (1.22% of the 82 examined), the Company failed to provide a reasonable written explanation for the delay when the claim remained unresolved for more than 75 calendar days from the date the loss was reported in violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

In one (1) file (1.22% of the 82 examined), the Company failed to provide a correct Notice of Availability of the Department of Insurance on the partial denial provided to the insured in violation of 50 Ill. Adm. Code 919.50(a)(1).

In one (1) file (1.22% of the 82 examined), the structure loss exceeded \$25,000 and required the Company, prior to making payment, to receive a certificate from the insured that there were no delinquent property taxes and no unpaid demolition expenses or a certificate indicating the amount of delinquent property taxes and unpaid incurred demolition expenses. There was also no evidence that a notice was sent to the State's Attorney in violation of 215 ILCS 5/397.1(a).

8. Homeowner Closed Without Payment

In seven (7) files (9.21% of the 76 examined), the Company failed to provide a correct Notice of Availability of the Department of Insurance on the denial in violation of 50 Ill. Adm. Code 919.50(a)(1). In six (6) files the Company included an incorrect Notice of Availability of the Department of Insurance on the denial letter and in one (1) file the Company failed to include the Notice of Availability of the Department of Insurance in the denial letter.

In four (4) files (5.26% of the 76 examined), the Company failed to provide a reasonable written explanation for the delay to the insured when the claim remained unresolved for more than 75 calendar days from the date the loss was reported in violation of 50 Ill. Adm. Code 919.80(d)(7)(B). In one (1) file the Company failed to send a delay letter and in three (3) files the Company included an incorrect Notice of Availability of the Department of Insurance in the delay letter.

9. Dwelling Fire Paid

The median payment period was 26 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	19	54.3
31-60	6	17.1
61-90	5	14.3
91-180	4	11.4
181-365	1	2.9
<u>over 365</u>	<u>0</u>	<u>0.0</u>
Total	35	100

In six (6) files (17.14% of the 35 examined), the Company was in violation of 50 Ill. Adm. Code 919.60(a) for indicating on a payment draft or check to the insured or accompanying letter that said payment was "final" or "a release" when the policy

limit had not been reached or there was no bonafide dispute either over coverage or the amount payable under the policy.

In three (3) files (8.57% of the 35 examined), the Company included an incorrect Notice of Availability of the Department of Insurance on the written explanation of the basis of the lower offer in violation of 50 Ill. Adm. Code 919.50(a)(1).

In one (1) file (2.86% of the 35 examined), the Company failed to provide a reasonable written explanation for the delay to the insured when the claim remained unresolved for more than 75 calendar days from the date the loss was reported in violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

In one (1) file (2.86% of the 35 examined), the structure loss exceeded \$25,000 and required the Company, prior to making payment, to receive a certificate from the insured that there were no delinquent property taxes and no unpaid demolition expenses or a certificate indicating the amount of delinquent property taxes and unpaid incurred demolition expenses. There was also no evidence that a notice was sent to the State's Attorney as required. The Company was in violation of 215 ILCS 5/397.1(a).

10. Dwelling Fire Closed Without Payment

In four (4) files (21.05% of the 19 examined), the Company failed to provide a correct Notice of Availability of the Department of Insurance on the denial provided to the insured in violation of 50 Ill. Adm. Code 919.50(a)(1). In one (1) file the Company failed to include the Notice of Availability of the Department of Insurance in the denial letter and in three (3) files the Company included an incorrect Notice of Availability of the Department of Insurance in the denial letter.

11. Workers' Compensation Paid

In eight (8) files (11.59% of the 69 examined), the Company was in violation of 820 ILCS 305/8.2(d)(1) for failing to provide payments to providers within 30 days of receipt of a bill which contained substantially all of the required data elements necessary to process the payment.

In eight (8) files (11.59% of the 69 examined), the Company was in violation of 820 ILCS 305/8.2(d)(3) for failing to pay interest to the provider when the provider payment exceeded 30 days from receipt of the bill and substantially all of the required data had been received. Failing to pay interest resulted in nine (9) underpayments totaling \$195.28. Payments have been made to the providers.

12. Workers' Compensation Closed Without Payment

In one (1) file (2.27% of the 44 examined), the Company denied liability for payment of temporary total compensation and failed to provide the employee a written explanation of the basis for the denial. The Company was in violation of 50 Ill. Adm. Code 9110.70(a)(2).

In one (1) file (2.27% of the 44 examined), the Company failed to send the employee within 14 days after notification or knowledge of an alleged inability to work, a written explanation of what information was needed to determine liability for payment of temporary total compensation and why the information was needed. The Company was in violation of 50 Ill. Adm. Code 9110.70(a)(3).

D. Complaints

1. Department of Insurance Complaints

There were no criticisms.

2. Consumer Complaints

There were no criticisms.

VI. INTERRELATED FINDINGS

1. From the response to Interrogatory #1: Prior to the first renewal of a private passenger auto policy the Company failed to notify an individual planning to purchase such renewal policy of the availability of higher deductibles for collision and comprehensive coverage and that a premium savings could result if the higher deductibles were purchased. The Company was in violation of 215 ILCS 5/143.25a. There were 131 PPA policies renewed during the experience period. The survey size was 79 files. Seventy-nine files were not in compliance (100%).
2. From the response to Interrogatory #6: The Company failed to have a procedure to provide the insured employer of a Workers' Compensation policy loss information by the 15th of the month and within 30 days after the end of the calendar year as outlined in and mandated by 820 ILCS 305/19(o). There were 69 Workers' Compensation paid claims during the experience period. Sixty-nine files were not in compliance (100%).
3. From the response to Interrogatory #10: The Company failed to have a provision in their Workers' Compensation rating plan of at least a \$1,000 deductible applicable to the medical benefit. The Company was in violation of 215 ILCS 5/456(1)(e). There were 68 new business policies during the experience period. Sixty-eight files were not in compliance (100%).

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 Badger Mutual Insurance Company, (the "Company"), NAIC 53204.

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.

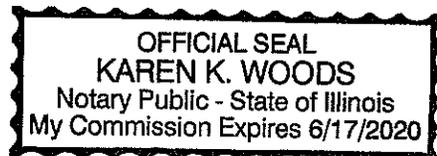


Examiner-In-Charge

Subscribed and sworn to before me

this 23 day of May, 2017


Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

BADGER MUTUAL INSURANCE COMPANY
1635 WEST NATIONAL AVENUE
MILWAUKEE, WI 53204

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, Badger Mutual Insurance Company ("the Company"), NAIC 13420, 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.*), 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 the insured a notice at cancellation as defined in Section 143.11 and shall include a specific explanation of the reason or reasons for cancellation on the notice as required by 215 ILCS 5/143.16.
2. Institute and maintain policies and procedures whereby the Company shall provide the lien holder an exact and unaltered copy of the notice of its intention not to renew sent to the insured as required by 215 ILCS 5/143.17(a) and 215 ILCS 5/143.17a(d).
3. 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.
4. Institute and maintain policies and procedures whereby the Company shall implement reasonable standards for the prompt investigation and settlement of claims as required by 215 ILCS 5/154.6(c).
5. Institute and maintain policies and procedures whereby the Company shall include the coverage under which each payment is being made when making a claim payment to the policyholder or beneficiary as required by 215 ILCS 5/154.6(l).
6. Institute and maintain policies and procedures whereby the Company shall include in its Workers' Compensation rating plan a mandatory offer of a deductible applicable only to the medical benefit. Such deductible offer shall be in a minimum amount of at least \$1,000 per accident as required under 215 ILCS 5/456(1)(e).
7. Institute and maintain policies and procedures whereby the Company shall maintain detailed documentation in a claim file in order to permit reconstruction of the Company's activities relative to the claim as required by 50 Ill. Adm. Code 919.30(c).
8. Institute and maintain policies and procedures whereby the Company shall provide the insured a Notice of Availability of the Department of Insurance along with the written explanation of the basis of the lower offer or denial as required by 50 Ill. Adm. Code 919.50(a)(1).

9. 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).
10. Institute and maintain policies and procedures whereby the Company shall provide the insured with a reasonable written explanation for the delay when a first party claim remains unresolved for more than 40 calendar days from the date it is reported as required by 50 Ill. Adm. Code 919.80(b)(2).
11. Institute and maintain policies and procedures whereby the Company shall provide the claimant with a reasonable written explanation for the delay 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 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).
13. 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).
14. 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).
15. Institute and maintain policies and procedures whereby the Company shall ensure claims submitted by providers are paid within 30 days of receipt of the bill which contains substantially all of the required data elements necessary to adjudicate the bill as required by 820 ILCS 305/8.2(d)(1).
16. 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).
17. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above 16 orders within 30 days of execution of this Order.
18. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$49,750 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 **BADGER MUTUAL INSURANCE COMPANY**

David Kane

Signature

DAVID KANE

Name

President / CEO

Title

Subscribed and sworn to before me this
7th day of August 2017.

Christine Corteno

Notary Public

DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 9-5-17

Jennifer Hammer

Jennifer Hammer
Director

