



Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

VIA ELECTRONIC MAIL

August 3, 2018

Mr. Scott Martin
President
Pekin Insurance Company
Farmers Automobile Insurance Association
2505 Court Street
Pekin, IL 61558

Re: Pekin Insurance Company, NAIC 24228
Farmers Automobile Insurance Association, NAIC 24201
Market Conduct Examination Report Closing Letter

Dear Mr. Martin:

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,

Erica Weyhenmeyer
Temporary Assistant Deputy Director - Market Conduct
Illinois Department of Insurance
320 West Washington St., 5th Floor
Springfield, IL 62767
Phone: 217-782-1790
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ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION OF

PEKIN INSURANCE COMPANY
AND
FARMERS AUTOMOBILE INSURANCE ASSOCIATION

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: August 21, 2017 through December 21, 2017

EXAMINATION OF: Pekin Insurance Company
(NAIC #24228)

Farmers Automobile Insurance Association
(NAIC #24201)

LOCATION: 2505 Court Street
Pekin, Illinois 61558

PERIOD COVERED BY EXAMINATION: May 1, 2016 through April 30, 2017
(Complaints reviewed for the period November 1, 2015 through April 30, 2017.)
(Workers' Compensation reviewed for the period May 1, 2014 through April 30, 2017.)

EXAMINERS: Timothy R. Nutt, Examiner-in-Charge
Ben Darnell, Senior Examiner
Aubrey Powell, Examiner
Miryam Ramirez, Senior Examiner
John Watts, Examiner

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I. SUMMARY

A targeted market conduct examination of Pekin Insurance Company (“PIC or Company”) and Farmers Automobile Insurance Association (“FAIA or Association”) (collectively “the Companies”) was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

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

TABLE OF VIOLATIONS						
Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
1	215 ILCS 5/143.15	Risk Selection: Homeowners	2	2	1	50%
		Cancellations First 60 days—Lien holder notice did not contain a specific reason for the cancellation or no proof of mailing. (PIC and FAIA)	124	77	11	14%
			<u>126</u>	<u>79</u>	<u>12</u>	<u>15%</u>
2	215 ILCS 5/143.15	Risk Selection: Private Passenger Automobile (“Automobile”)	30	10	2	20%
		Cancellations First 60 days—Lien holder notice did not contain a specific reason for the cancellation. (PIC and FAIA)	226	74	20	27%
			<u>256</u>	<u>84</u>	<u>22</u>	<u>26%</u>
3	215 ILCS 5/143.17(e)	Risk Selection: Automobile	30	7	2	29%
		Nonrenewals—Lien holder notice did not contain a specific reason for nonrenewal. (PIC and FAIA)	335	77	28	36%
			<u>365</u>	<u>84</u>	<u>30</u>	<u>36%</u>
4	215 ILCS 5/143.21.1(3)	Risk Selection: Homeowners	279	57	1	2%
		Nonrenewals—Failure to provide timely notice of nonrenewal. (PIC and FAIA)	278	56	1	2%
			<u>557</u>	<u>113</u>	<u>2</u>	<u>2%</u>
6	215 ILCS 5/143.14(a)	Risk Selection: Workers’ Compensation Cancellations First 60 Days—Failure to maintain proof of mailing. (PIC)	382	84	3	4%
8	215 ILCS 5/143.14(a)	Risk Selection: Workers’ Compensation Cancellations After 60 Days—Failure to maintain proof of mailing. (PIC)	6055	116	2	2%
10	215 ILCS 5/143.14(a)	Risk Selection: Homeowners	2	2	0	0%
		Cancellations First 60 days—Failure to maintain proof of mailing. (FAIA)	124	77	2	3%
			<u>126</u>	<u>79</u>	<u>2</u>	<u>3%</u>
11	215 ILCS 5/143.15	Risk Selection: Automobile Cancellations	552	12	4	33%
		After 60 days—Lien holder notice did not contain a specific reason for cancellation or no proof of mailing. (PIC and FAIA)	5029	104	36	35%
			<u>5581</u>	<u>116</u>	<u>40</u>	<u>34%</u>
12	50 Ill. Adm. Code 2902.30	Underwriting: Workers’ Compensation New Business—Use of unfiled rates. (PIC)	8045	116	11	9%

TABLE OF VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
13	50 Ill. Adm. Code 919.60(a)	Claims: Homeowners Paid—Payment indicated final when such was not the case. (PIC)	863	25	1	4%
			2949	83	0	0%
			<u>3812</u>	<u>108</u>	<u>1</u>	<u>1%</u>
15	50 Ill. Adm. Code 919.80(d)(7)(B)	Claims: Homeowners Paid—Failure to provide delay letter or the letter contained inaccurate Notice of Availability of the DOI. (PIC and FAIA)	863	25	1	4%
			2949	83	5	6%
			<u>3812</u>	<u>108</u>	<u>6</u>	<u>6%</u>
16	50 Ill. Adm. Code 919.80(b)(3)	Claims: Automobile Third-Party Paid—Failure to provide written notice of delay. (FAIA)	177	7	0	0%
			2532	101	1	1%
			<u>2709</u>	<u>108</u>	<u>1</u>	<u>1%</u>
17	50 Ill. Adm. Code 919.50(a)	Claims: Automobile Third-Party Paid—Failure to pay claim timely. (FAIA)	177	7	0	0%
			2532	101	2	2%
			<u>2709</u>	<u>108</u>	<u>2</u>	<u>2%</u>
18	50 Ill. Adm. Code 919.80(c)	Claims: Automobile Total Losses—Failure to provide Exhibit A information or not provided timely. (PIC and FAIA)	34	7	4	57%
			408	76	39	51%
			<u>442</u>	<u>83</u>	<u>43</u>	<u>52%</u>
19	50 Ill. Adm. Code 919.80(b)(3)	Claims: Automobile Third-Party CWP—Failure to provide written notice of delay timely. (FAIA)	19	9	0	0%
			142	67	1	1%
			<u>161</u>	<u>76</u>	<u>1</u>	<u>1%</u>
20	215 ILCS 5/154.6(a)	Claims: Homeowners Paid—Failure to settle claim according to policy provisions. (FAIA)	863	25	0	0%
			2949	83	4	5%
			<u>3812</u>	<u>108</u>	<u>4</u>	<u>4%</u>
21	50 Ill. Adm. Code 919.50(a)(1)	Claims: Homeowners CWP—Failure to send denial letter. (FAIA)	116	20	0	0%
			359	63	1	2%
			<u>475</u>	<u>83</u>	<u>1</u>	<u>1%</u>
23	215 ILCS 5/1005(B)(4)	Operations and Management —Use of noncompliant privacy form. (PIC and FAIA)	1	1	1	100%
25	820 ILCS 305/8.2(d)(1)	Claims: Workers' Compensation Paid—Failure to pay claim timely. (PIC)	1482	107	13	12%
26	820 ILCS 305/8.2(d)(3)	Claims: Workers' Compensation Paid—Failure to pay required interest. (PIC)	1482	107	13	12%

II. BACKGROUND

Pekin Insurance Company is a subsidiary of The Farmers Automobile Insurance Association. Pekin Insurance Company is a capital stock insurance company organized under the laws of the State of Illinois on May 22, 1961. The Company sells insurance through independent agents and is currently writing business in Arizona, Illinois, Indiana, Iowa, Ohio and Wisconsin. Insurance products primarily include private passenger automobile (“automobile”), commercial automobile, homeowner multi-peril, commercial multi-peril, fire, allied lines, workers’ compensation and inland marine.

The Farmers Automobile Insurance Association is a reciprocal exchange organized under the laws of the State of Illinois on April 1, 1921. The Association sells insurance through independent agents and is currently writing business in Arizona, Illinois, Indiana, Iowa and Wisconsin. Insurance products primarily include private passenger automobile, commercial automobile, homeowner multi-peril, fire, allied lines and inland marine.

The Companies’ corporate offices are located at 2505 Court Street, Pekin, Illinois 61558.

Pekin Insurance Company’s 2016 NAIC Annual Statement (Statutory Page 14) reflects the following for Illinois:

Line of Business	Direct Premium Written	Direct Premium Earned	Direct Losses Paid	Direct Losses Incurred
Fire	528,093	518,499	669,066	226,758
Allied Lines	907,751	860,829	118,193	88,118
Homeowners Multiple Peril	11,979,291	12,876,834	7,504,877	8,037,773
CMP Non-Liability	26,506,553	26,349,461	13,903,354	13,079,116
CMP Liability	35,567,512	35,035,694	10,509,893	22,854,946
Inland Marine	1,539,638	1,614,238	196,965	251,841
Workers’ Compensation	60,919,168	60,093,904	25,456,129	26,986,553
Other Liability - Occurrence	10,029,048	9,752,039	4,391,716	8,091,421
Products Liability	652,974	644,184	117,997	(91,975)
Other Automobile (PPA) Liability	3,484,730	3,468,102	2,549,356	3,358,062
Other Comm. Auto Liability	22,986,055	22,742,001	16,717,268	23,305,492
PPA Physical Damage	2,666,702	2,636,035	1,329,671	877,962
Comm. Auto Physical Damage	11,543,867	11,319,060	6,657,856	6,593,839
Fidelity	267,134	278,554	(10,942)	(17,793)
Surety	470,357	501,670	3,361	88,732
Burglary and Theft	7,748	7,675	0	(182)
TOTALS	190,056,622	188,698,778	90,114,759	113,730,664

Farmers Automobile Insurance Association's 2016 NAIC Annual Statement (Statutory Page 14) reflects the following for Illinois:

Line of Business	Direct Premium Written	Direct Premium Earned	Direct Losses Paid	Direct Losses Incurred
Fire	2,668,347	2,685,850	1,632,675	1,285,482
Allied Lines	4,373,668	4,415,245	2,294,511	1,929,461
Homeowners Multiple Peril	40,521,229	40,211,375	24,632,126	26,900,952
CMP Non-Liability	0	0	0	84
Inland Marine	1,485,827	1,481,880	365,779	268,232
Other PPA Liability	38,022,942	37,655,691	28,676,030	31,324,434
Other Comm. Auto Liability	195,327	206,122	56,028	(56,625)
PPA Physical Damage	36,143,539	36,358,123	23,663,534	23,660,362
Comm. Auto Physical Damage	765,430	763,207	546,348	573,470
TOTALS	124,176,307	123,777,492	81,867,032	85,885,852

III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The period under review was generally May 1, 2016 through April 30, 2017, with the exception of November 1, 2015 through April 30, 2017, for complaints and May 1, 2014 through April 30, 2017, for workers' compensation. The following categories were the general areas examined:

- A. Operations and Management
- B. Complaint Handling
- C. Producer Review
- D. Risk Selection
- E. Underwriting and Rating
- F. Claims
- G. Workers' Compensation Unit Statistical Reporting

The review of these categories was accomplished through examination of individual policy and claim files, the Companies' procedures, written interrogatories, and interviews with the Companies' personnel. Each of these categories was examined for compliance with Illinois Department of Insurance rules and regulations, and applicable state laws.

Criticisms were provided to the Companies addressing violations discovered in the review process. All valid criticisms were incorporated into this report.

The following methods were used to obtain the required samples and to assure a statistically accurate and methodical selection. The samples were developed from Company-generated data. The sample size was based on the most recent NAIC *Market Regulation Handbook*. Random samples were generated using Audit Command Language software and the selected samples were provided to the Companies for retrieval.

Operations and Management

The review of the Companies' Operations and Management is designed to determine how the Companies operate. Examiners reviewed both publicly available documents, such as prior market conduct examinations and annual statements, as well as internal documents such as internal audit reports.

Complaint Handling

Department of Insurance and Consumer Complaints for the period November 1, 2015 through April 30, 2017 were reviewed for compliance with applicable state laws and Company guidelines.

Department of Insurance ("DOI") Complaints – The population request for this category consisted of complaints received from the Illinois Department of Insurance during the examination period. Each company's complaint registry was reconciled with the individual file information and DOI records to determine the completeness and accuracy of the data recorded. Each complaint file,

along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Consumer Complaints – The population request for this category consisted of complaints received directly from consumers during the examination period. Each company’s complaint registry was reconciled with the individual file information to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Producer Review

The Producer Review is designed to evaluate each company’s compliance with statutory producer licensing and terminations requirements. Samples were selected based on transactions occurring during the examination period.

Risk Selection

The Risk Selection portion of the examination is designed to evaluate each company’s compliance with statutory requirements related to cancellations, nonrenewals and rescissions. This included determining if the reasons for termination were valid and not unfairly discriminatory. Samples were selected for the review based on transactions occurring during the examination period.

Underwriting and Rating

The Underwriting and Rating portion of the examination consisted of reviewing new and renewal business, as well as each company’s filed rates and forms. Samples were selected based on the inception and renewal date occurring during the examination period. Policies were reviewed for rating accuracy, use of filed rates, use of filed forms and compliance with underwriting guidelines.

Claims

Claims samples were selected based on the settlement occurring within the examination period. Claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.* and 820 ILCS 305/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*). Reviews were conducted of both claims paid and those closed without payment (“CWP”).

Workers’ Compensation Unit Statistical Reporting

The accuracy and completeness of the Workers’ Compensation unit statistical information reported to the policyholders and to the National Council on Compensation Insurance (NCCI) was tested.

SELECTION OF SAMPLES

All Companies

	<u>Total</u>	<u>Number</u>	<u>Percentage</u>
<u>Producer Review</u>			
Producer Licensing	3561	115	3%
Producer Terminations	378	84	22%

Pekin Insurance Company

	<u>Total</u>	<u>Number</u>	<u>Percentage</u>
<u>Complaint Handling</u>			
DOI Complaints	40	40	100%
Consumer Complaints	9	9	100%
<u>Risk Selection</u>			
Automobile Cancellations First 60 Days	30	10	33%
Automobile Cancellations After 60 Days	552	12	2%
Automobile Nonrenewals	30	7	23%
Automobile Rescissions	0	0	N/A
Homeowners Cancellations First 60 Days	2	2	100%
Homeowners Cancellations After 60 Days	1909	40	2%
Homeowners Nonrenewals	279	57	20%
Homeowners Rescissions	0	0	N/A
Workers' Compensation Cancellations First 60 Days	382	84	22%
Workers' Compensation Cancellations After 60 Days	6055	116	2%
Workers' Compensation Nonrenewals	613	113	18%
Workers' Compensation Rescissions	2	2	100%
<u>Underwriting and Rating</u>			
Automobile New Business	824	15	2%
Homeowners New Business	107	3	3%
Workers' Compensation New Business	8045	116	1%
Workers' Compensation Renewals	469	86	18%
<u>Claims</u>			
Automobile First-Party Paid	448	6	1%
Automobile First-Party CWP	34	6	18%
Automobile First-Party Total Losses	34	7	21%
Automobile Third-Party Paid	177	7	4%
Automobile Third-Party CWP	19	9	47%
Automobile Subrogation	21	4	19%
Homeowners Paid	863	25	3%
Homeowners CWP	116	20	17%
Workers' Compensation Paid	1482	107	7%
Workers' Compensation CWP	136	76	56%
Workers' Compensation Unit Statistical Reporting	1482	107	7%

Farmers Automobile Insurance Association

	<u>Total</u>	<u>Number</u>	<u>Percentage</u>
<u>Complaint Handling</u>			
DOI Complaints	52	52	100%
Consumer Complaints	13	13	100%
<u>Risk Selection</u>			
Automobile Cancellations First 60 Days	226	74	33%
Automobile Cancellations After 60 Days	5029	104	2%
Automobile Nonrenewals	335	77	23%
Automobile Rescissions	1	1	100%
Homeowners Cancellations First 60 Days	124	77	62%
Homeowners Cancellations After 60 Days	3578	76	2%
Homeowners Nonrenewals	278	56	20%
Homeowners Rescissions	0	0	N/A
<u>Underwriting and Rating</u>			
Automobile New Business	5512	101	2%
Homeowners New Business	5312	113	2%
<u>Claims</u>			
Automobile First-Party Paid	8287	103	1%
Automobile First-Party CWP	445	77	17%
Automobile First-Party Total Loss	408	76	19%
Automobile Third-Party Paid	2532	101	4%
Automobile Third-Party CWP	142	67	47%
Automobile Subrogation	373	78	21%
Homeowners Paid	2949	83	3%
Homeowners CWP	359	63	18%

IV. FINDINGS

A. Operations and Management

Privacy form LS-230, "Important Notice About Privacy," does not contain a description of the rights established under Sections 1009 ("Access to Recorded Personal Information") and 1010 ("Correction, Amendment or Deletion of Recorded Personal Information") as required by 215 ILCS 5/1005(B)(4). (PIC and FAIA) Crit 23.

B. Complaint Handling

1. Department of Insurance Complaints

No violations were noted.

2. Consumer Complaints

No violations were noted.

C. Producer Review

1. Producer Licensing

No violations were noted.

2. Producer Terminations

No violations were noted.

D. Risk Selection

1. Automobile Cancellations First 60 Days

In 22 cancellations, the Companies failed to provide the reason for the cancellation to the lien holder as required by 215 ILCS 5/143.15. (PIC 2, FAIA 20) Crit 2.

2. Automobile Cancellations After 60 Days

In 40 cancellations, the Companies failed to provide the reason for the cancellation to the lien holder or did not send the notice as required by 215 ILCS 5/143.15. (PIC 4, FAIA 36) Crit 11.

3. Homeowners Cancellations First 60 Days

In 12 cancellations, the Companies failed to provide the reason for the cancellation to the lien holder or did not send the notice as required by 215 ILCS 5/143.15. (PIC 1, FAIA 11) Crit 1.

In two (2) cancellations, the Association failed to maintain proof of mailing as required by 215 ILCS 5/143.14(a). (FAIA) Crit 10.

4. Homeowners Cancellations After 60 Days

No violations were noted.

5. Workers' Compensation Cancellations First 60 Days

In three (3) cancellations, the Company failed to maintain proof of mailing as required by 215 ILCS 5/143.14(a). (PIC) Crit 6.

6. Workers' Compensation Cancellations After 60 Days

In two (2) cancellations, the Company failed to maintain proof of mailing as required by 215 ILCS 5/143.14(a). (PIC) Crit 8.

7. Automobile Nonrenewals

For 30 nonrenewals, the Companies failed to provide the reason for nonrenewal to the lien holder as required by 215 ILCS 5/143.17(e). (PIC 2, FAIA 28) Crit 3.

8. Homeowners Nonrenewals

For two (2) nonrenewals, the Companies failed to provide timely notice as required by 215 ILCS 5/143.21.1(3). (PIC 1, FAIA 1) Crit 4.

9. Workers' Compensation Nonrenewals

No violations were noted.

10. Workers' Compensation Rescissions

No violations were noted.

E. Underwriting and Rating

1. Automobile New Business

No violations were noted.

2. Homeowners New Business

No violations were noted.

3. Workers' Compensation New Business

For 11 policies, the Company used unfiled forms in violation of 50 IL Adm. Code 2902.30. (PIC) Crit 12.

F. Claims

1. Automobile First-Party Paid

No violations were noted.

2. Automobile First-Party Closed Without Payment

No violations were noted.

3. Automobile Third-Party Paid

In one (1) claim, the Association failed to provide a written explanation of delay for a claim pending over 60 days as required by 50 Ill. Adm. Code 919.80(b)(3). (FAIA) Crit 16.

In two (2) claims, the Association failed to pay the claim within 30 days after affirmation of liability as required by 50 Ill. Adm. Code 919.50(a). (FAIA) Crit 17.

4. Automobile Third-Party Closed Without Payment

In one (1) claim, the Association failed to provide a written explanation for delay for a claim pending over 60 days as required by 50 Ill. Adm. Code 919.80(b)(3). (FAIA) Crit 19.

5. Automobile Total Loss

In 43 claims, the Companies failed to send a letter with the information required by Exhibit A of 50 Ill. Adm. Code 919.80(c). (PIC 4, FAIA 39) Crit 18.

6. Automobile Subrogation

No violations were noted.

7. Homeowners Paid

In one (1) claim, the Company indicated on the check that the payment was "final" when the policy limit had not been paid and there was no bona fide dispute which is a violation of 50 Ill. Adm. Code 919.60(a). (PIC) Crit 13.

In six (6) claims, the Companies were in violation of 50 Ill. Adm. Code 919.80(d)(7)(B) regarding delay letters. Three (3) claims included letters which had the incorrect address for the Notice of Availability of the Department of Insurance; one (1) letter did not contain the Notice of Availability; one (1) claim file did not contain a letter; and one (1) claim file contained a letter that was not sent timely. (PIC 1, FAIA 5) Crit 15.

In four (4) claims, the Association was in violation of 215 ILCS 5/154.6(a). The Association's procedure is to make payment of actual cash value after repairs are complete. The Company was criticized for not settling according to policy provisions. (FAIA) Crit 20.

8. Homeowners Closed Without Payments

In one (1) claim, the Association failed to provide written explanation of delay as required by 50 Ill. Adm. Code 919.50(a)(1). (FAIA) Crit 21.

9. Workers' Compensation Paid

In 13 claims, the Company failed to pay within 30 days of receipt as required by 820 ILCS 305/8.2(d)(1). (PIC) Crit 25.

In 13 claims, the Company failed to pay interest on claims experiencing late payments as required by 820 ILCS 305/8.2(d)(3). (PIC) Crit 26.

10. Workers' Compensation Closed Without Payment

No violations were noted.

G. Workers' Compensation Unit Statistical Reporting

No violations were noted.

V. INTERRELATED FINDING

During the examination, two (2) unlicensed producers were detected and the issue was referred to the Producer Regulatory Unit of the Illinois Department of Insurance.

STATE OF MICHIGAN

SS

COUNTY OF INGHAM

Timothy R. Nutt, being first duly sworn upon his oath, deposes and states:

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 Pekin Insurance Company, NAIC #24228 and Farmers Automobile Insurance Association, NAIC #24201 (collectively as the "Companies");

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 Companies 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 Companies' business and affairs and the manner in which the Companies conduct their 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 Companies nor any of the Companies' 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;

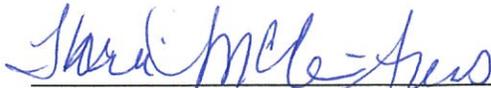
That an examination was made of the affairs of the Companies pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

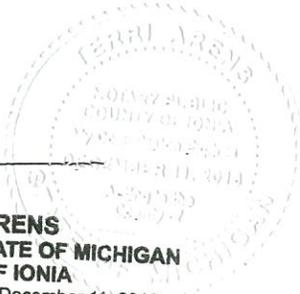
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Companies for the period covered by the Report as determined by the examiners;

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 Companies.


Examiner-In-Charge

Subscribed and sworn to before me
this 29th day of January, 2018.


Notary Public


TERRI ARENS
NOTARY PUBLIC - STATE OF MICHIGAN
COUNTY OF IONIA
My Commission Expires December 11, 2018
Acting in the County of Eaton

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**PEKIN INSURANCE COMPANY
FARMERS AUTOMOBILE INSURANCE ASSOCIATION
2505 COURT STREET
PEKIN, IL 61558**

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, Pekin Insurance Company (“PIC”), NAIC 24228, and Farmers Automobile Insurance Association (“FAIA”), NAIC 24201, collectively referred to as “the Company,” are authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*), the Worker’s Compensation Act (820 ILCS 305/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby PIC and FAIA shall provide the insured with, at a minimum, the information contained in Exhibit A, within 7 days of determination of the total loss as required by 50 Ill. Adm. Code 919.80(c).
2. Institute and maintain policies and procedures whereby PIC and FAIA shall ensure the Notice of Insurance Information describes the rights established under Sections 1009 ("Access to Recorded Personal Information") and 1010 ("Correction, Amendment or Deletion of Recorded Personal Information") and the manner in which such rights may be exercised as required by 215 ILCS 5/1005(B)(4).
3. Institute and maintain policies and procedures whereby PIC 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).
4. Institute and maintain policies and procedures whereby PIC 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).
5. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above four (4) orders within 30 days of execution of this Order.
6. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$12,250.00 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 PEKIN INSURANCE COMPANY and
FARMERS AUTOMOBILE INSURANCE ASSOCIATION

Scott A. Martin

Signature

Scott A. Martin

Name

Chairman of the Board, President & CEO

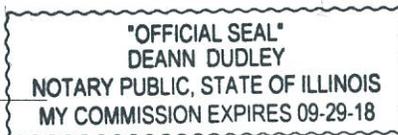
Title

Subscribed and sworn to before me this

6th day of July 2018.

Deann Dudley

Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE

7/9/18

Jennifer Hammer

Jennifer Hammer
Director

