



# Illinois Department of Insurance

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JB PRITZKER  
Governor

KEVIN FRY  
Acting Director

VIA ELECTRONIC MAIL  
VIA USPS

March 7, 2019

Mr. Jeffrey S. Tagsold  
President  
Auto-Owners Insurance Company  
Owners Insurance Company  
6101 Anacapri Blvd  
Lansing, MI 48917-3999

**Re: Auto-Owners Insurance Company, NAIC 18988  
Owners Insurance Company, NAIC 32700  
Market Conduct Examination Report Closing Letter**

Dear Mr. Tagsold:

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  
Assistant Deputy Director - Market Conduct  
Illinois Department of Insurance  
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Springfield, IL 62767  
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**ILLINOIS DEPARTMENT OF INSURANCE  
MARKET CONDUCT EXAMINATION OF**

**AUTO-OWNERS INSURANCE COMPANY  
AND  
OWNERS INSURANCE COMPANY**

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: January 8, 2018 through May 21, 2018

EXAMINATION OF: Auto-Owners Insurance Company  
(NAIC #18988)

Owners Insurance Company  
(NAIC #32700)

LOCATION: 6101 Anacapri Boulevard  
Lansing, Michigan 48917

PERIOD COVERED BY EXAMINATION: September 1, 2016 through August 31, 2017  
(Complaints reviewed for the period March 1, 2016 through August 31, 2017)  
(Workers' Compensation reviewed for the period September 1, 2014 through August 31, 2017)

EXAMINERS: Timothy R. Nutt, Examiner-in-Charge  
Tommy Brinkley, Senior Examiner  
Ben Darnell, Senior Examiner  
Cara Phillips, Senior Examiner  
Miryam Ramirez, Senior Examiner

## TABLE OF CONTENTS

I.	SUMMARY.....	1
II.	BACKGROUND .....	5
III.	METHODOLOGY .....	7
IV.	FINDINGS .....	12
	A. Complaint Handling.....	12
	B. Risk Selection .....	12
	C. Underwriting and Rating .....	15
	D. Claims .....	16
	E. Workers' Compensation Unit Statistical Reporting.....	18
V.	INTERRELATED FINDING.....	19

## I. SUMMARY

A targeted market conduct examination of Auto-Owners Insurance Company (“Auto-Owners” or “AOIC”) and Owners Insurance Company (“Owners” or “OIC”) (collectively referred to as “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.

<b><u>TABLE OF VIOLATIONS</u></b>							
Crit	Statute/Rule	Description of Violation	Findings Section	Population	Files Reviewed	Number of Violations	Error %
1	50 Ill. Adm. Code 926.40(a)	Complaint Handling: Department of Insurance (“DOI”) Complaints—Late response (OIC)	A.1	18	18	1	6%
3	215 ILCS 5/143d(b)	Complaint Handling: Consumer Complaints—Late response (OIC)	A.2	7	7	3	43%
5	50 Ill. Adm. Code 919.80(b)(2)	Claims: Automobile First-Party Paid—Failure to provide written notice of delay AOIC OIC Total	D.1	1456 4194 <u>5650</u>	28 81 <u>109</u>	1 1 <u>2</u>	4% 1% <u>2%</u>
6	50 Ill. Adm. Code 919.50(a)(1)	Claims: Automobile First-Party Closed Without Payment (“CWP”)—Failure to provide written explanation of denial (OIC)	D.2	805	80	2	3%
8	50 Ill. Adm. Code 919.80(c)	Claims: Automobile Total Loss—Failure to provide Exhibit A information or not provided timely AOIC OIC Total	D.3	218 687 <u>905</u>	25 80 <u>105</u>	5 17 <u>22</u>	20% 21% <u>21%</u>
9	50 Ill. Adm. Code 919.50(a)	Claims: Commercial Automobile Third-Party Paid—Failure to pay claim timely (AOIC)	D.10	152	29	1	3%
10	50 Ill. Adm. Code 919.80(d) (7)(B)	Claims: Dwelling Fire Paid—Failure to provide written explanation of delay (AOIC)	D.15	365	82	4	5%
11	50 Ill. Adm. Code 919.80(d) (7)(B)	Claims: Farmowners Paid—Failure to provide written explanation of delay or the letter did not contain Notice of Availability of the DOI (AOIC)	D.17	344	66	4	6%

**TABLE OF VIOLATIONS**

Crit	Statute/Rule	Description of Violation	Findings Section	Population	Files Reviewed	Number of Violations	Error %
12	215 ILCS 5/143b	Claims: Commercial Automobile Subrogation—Deductible reimbursement not timely or inaccurate AOIC <u>OIC</u> Total	D.12	17 34 <u>51</u>	17 34 <u>51</u>	1 4 <u>5</u>	6% 12% <u>10%</u>
13	50 Ill. Adm. Code 919.50(a)(1)	Claims: Dwelling Fire CWP—Denial letters did not contain Notice of Availability of the Department of Insurance (AOIC)	D.16	133	76	8	11%
14	50 Ill. Adm. Code 919.80(d)(7)(B)	Claims: Mobile Homeowners Paid—Failure to provide written explanation of delay (AOIC)	D.19	56	47	2	4%
16	50 Ill. Adm. Code 919.80(d)(7)(B)	Claims: Farmowners CWP—Failure to provide written explanation of delay or the letter did not contain Notice of Availability of the Department of Insurance AOIC <u>OIC</u> Total	D.18	54 14 <u>68</u>	54 14 <u>68</u>	4 1 <u>5</u>	7% 7% <u>7%</u>
17	215 ILCS 5/143b	Claims: Automobile Subrogation—Failure to return deductible or return deductible timely AOIC <u>OIC</u> Total	D.6	118 262 <u>380</u>	25 57 <u>82</u>	1 1 <u>2</u>	4% 2% <u>2%</u>
20	820 ILCS 305/8.2(d)(1)	Claims: Workers' Compensation Paid—Failure to pay claims timely AOIC <u>OIC</u> Total	D.21	490 822 <u>1312</u>	40 67 <u>107</u>	4 5 <u>9</u>	10% 7% <u>8%</u>
21	820 ILCS 305/8.2(d)(3)	Claims: Workers' Compensation Paid—Failure to pay required interest AOIC <u>OIC</u> Total	D.21	490 822 <u>1312</u>	40 67 <u>107</u>	4 5 <u>9</u>	10% 7% <u>8%</u>
22	215 ILCS 5/805.1	Underwriting and Rating: Mobile Homeowners New Business—Failure to offer mine subsidence coverage (AOIC)	C.7	41	41	1	2%

**TABLE OF VIOLATIONS**

Crit	Statute/Rule	Description of Violation	Findings Section	Population	Files Reviewed	Number of Violations	Error %
23	215 ILCS 5/462b	Underwriting and Rating: Workers' Compensation New Business—No signed officer inclusion/exclusion form (OIC)	C.8	479	47	1	2%
24	215 ILCS 5/462b	Underwriting and Rating: Workers' Compensation New Business—Use of unfiled rates (OIC)	C.8	479	47	1	2%
25	215 ILCS 5/462b	Underwriting and Rating: Workers' Compensation New Business—Incorrect classification code used to rate policy (AOIC)	C.8	694	67	1	1%
26	215 ILCS 5/143.27	Risk Selection: Dwelling Fire Cancellations First 60 Days—Did not provide reasonable time to repair prior to cancellation (AOIC)	B.10	64	64	9	14%
27	215 ILCS 5/143.27	Risk Selection: Homeowners Cancellations First 60 Days—Did not provide reasonable time to repair prior to cancellation (AOIC)	B.7	147	79	6	8%
28	215 ILCS 5/143.23	Risk Selection: Farmowners Nonrenewals—Failed to provide notice of right to appeal AOIC <u>OIC</u> Total	B.15	56 11 <u>67</u>	56 11 <u>67</u>	51 11 <u>62</u>	91% 100% <u>93%</u>
29	215 ILCS 5/143.22	Risk Selection: Farmowners Nonrenewals—Notice did not advise of the possible eligibility of insurance through the Illinois FAIR Plan AOIC <u>OIC</u> Total	B.15	56 11 <u>67</u>	56 11 <u>67</u>	56 11 <u>67</u>	100% 100% <u>100%</u>
30	215 ILCS 5/143.15	Risk Selection: Homeowners Cancellations First 60 Days—Notice did not contain a specific reason for cancellation (AOIC)	B.7	147	79	1	1%
32	215 ILCS 5/805.1	Underwriting and Rating: Homeowners New Business—Failure to offer mine subsidence coverage (AOIC)	C.4	10499	116	1	1%
37	215 ILCS 5/143.22	Risk Selection: Dwelling Fire Nonrenewals—Notice did not advise of the possible eligibility of insurance through the Illinois FAIR Plan (AOIC)	B.12	169	79	4	5%

**TABLE OF VIOLATIONS**

Crit	Statute/Rule	Description of Violation	Findings Section	Population	Files Reviewed	Number of Violations	Error %
39	215 ILCS 5/143.17e	Risk Selection: Automobile Nonrenewals—Notice did not contain a specific reason for nonrenewal (AOIC)	B.3	182	34	1	3%
40	215 ILCS 5/143.20	Risk Selection: Automobile Nonrenewals—Notice did not advise of possible eligibility for insurance through the Illinois Automobile Insurance Plan AOIC <u>OIC</u> Total	B.3	182 430 <u>612</u>	34 79 <u>113</u>	2 1 <u>3</u>	1% >1% <u>3%</u>
43	50 Ill. Adm. Code 753.10(a)(1) &(2)	Underwriting and Rating: Homeowners New Business—Use of unfiled forms (AOIC)	C.4	333	333	6	2%
45	215 ILCS 5/143.22	Risk Selection: Farmowners Cancellations After 60 Days—Notice did not advise of the possible eligibility of insurance through the Illinois FAIR Plan (AOIC)	B.14	230	73	3	4%
47	215 ILCS 5/143.17e	Risk Selection: Homeowners Nonrenewals—Notice did not contain a specific reason for nonrenewal (AOIC)	B.9	559	113	3	3%
48	215 ILCS 5/143.22	Risk Selection: Homeowners Nonrenewals—Notice did not advise of the possible eligibility of insurance through the Illinois FAIR Plan (AOIC)	B.9	559	113	4	4%
51	215 ILCS 5/143.27	Risk Selection: Dwelling Fire Cancellations After 60 Days—Did not provide reasonable time to repair prior to cancellation (AOIC)	B.11	1337	114	3	3%

## II. BACKGROUND

### Auto-Owners Insurance Company

Auto-Owners Insurance Company is the largest property and casualty insurance company domiciled in the State of Michigan. The company was organized in Mt. Pleasant, Michigan in 1916 and moved to Lansing, Michigan in 1917. Auto-Owners entered the general casualty insurance field in 1940 having previously written only automobile insurance.

AOIC wrote business in Michigan exclusively from 1916 until 1935, when it began writing insurance in Indiana and Ohio. For the period under examination, AOIC wrote business in 26 States.

Auto-Owners 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	10,065,361	10,398,019	4,540,638	4,545,612
Allied Lines	1,502,110	1,504,529	553,694	533,510
Federal Flood	2,506,895	2,608,494	816,688	521,568
Farmowners Multiple Peril	9,337,846	9,603,399	5,612,087	6,017,463
Homeowners Multiple Peril	51,812,732	50,081,192	24,201,606	26,086,717
CMP Non-Liability	6,958,686	7,214,722	2,291,710	2,114,630
CMP Liability	4,996,950	5,289,968	2,362,095	1,806,513
Inland Marine	3,143,539	3,034,665	971,291	1,096,233
Earthquake	2,520,018	2,455,302	0	0
Workers' Compensation	13,998,575	15,419,966	7,223,853	4,586,977
Other Liability - Occurrence	8,665,520	8,868,016	4,157,163	3,876,257
PPA No Fault	0	0	1,335	(3,596)
Other PPA Liability	10,706,499	10,662,565	6,989,454	7,253,830
Comm. Auto No Fault	0	0	0	655
Other Comm. Auto Liability	8,511,968	8,285,772	4,761,143	2,149,005
PPA Physical Damage	8,387,662	8,371,088	5,768,096	5,789,015
Comm. Auto Physical Damage	3,430,946	3,372,116	1,986,012	2,131,000
Fidelity	88,724	93,050	10,000	(2,007)
Surety	467,570	483,502	51,155	433,119
Burglary & Theft	6,704	7,508	0	(258)
TOTALS	147,108,304	147,753,873	72,298,020	69,936,243

## Owners Insurance Company

Owners Insurance Company was established in 1975 under the laws of the State of Ohio. OIC is a wholly owned subsidiary of Auto-Owners Insurance Company. Products offered include automobile, property, and workers' compensation policies.

Owners 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	579,743	552,227	226,303	243,439
Allied Lines	947,211	915,976	1,290,113	1,720,428
Farmowners Multiple Peril	2,226,698	2,097,465	1,747,960	1,583,653
Homeowners Multiple Peril	413,928	1,713,621	3,783,891	729,918
CMP Non-Liability	17,754,050	17,812,836	21,618,970	31,943,382
CMP Liability	15,082,830	15,285,874	3,484,983	4,670,256
Inland Marine	2,490,261	2,540,766	913,443	898,677
Earthquake	506,280	566,854	0	0
Workers' Compensation	24,046,178	26,089,778	13,418,472	4,500,479
Other Liability - Occurrence	5,878,881	5,832,579	181,620	(4,131,425)
PPA No Fault	0	0	21,328	22,526
Other PPA Liability	29,065,759	28,120,024	18,513,532	18,394,635
Comm. Auto No Fault	0	0	8,953	1,336
Other Comm. Auto Liability	13,006,587	12,922,866	6,528,402	8,091,670
PPA Physical Damage	23,945,420	23,109,714	15,694,356	15,820,491
Comm. Auto Physical Damage	8,100,785	7,759,154	4,119,302	4,351,061
Fidelity	77,456	74,780	0	105,443
Surety	100	1	0	0
Burglary & Theft	33,126	34,172	0	(942)
TOTALS	144,155,293	145,428,688	91,551,628	88,945,029

The corporate office is located at 6101 Anacapi Boulevard, Lansing, Michigan 48917. The office services Auto-Owners Insurance Company and its subsidiary companies: Auto-Owners Life Insurance Company, Home-Owners Insurance Company, Owners Insurance Company, Property-Owners Insurance Company and Southern-Owners Insurance Company.

The Companies are represented by more than 6,300 independent agencies, selling personal and commercial property and casualty products as well as life, health, and annuity insurance products.

### **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 September 1, 2016 through August 31, 2017, with the exception of March 1, 2016 through August 31, 2017 for Complaints and September 1, 2014 through August 31, 2017 for Workers' Compensation. The following categories were the general areas examined:

- A. Complaint Handling
- B. Risk Selection
- C. Underwriting and Rating
- D. Claims
- E. 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.

#### Complaint Handling

Department of Insurance and Consumer Complaints for the period March 1, 2016 through August 31, 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 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 by the Companies 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.

### Risk Selection

The Risk Selection portion of the examination was 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 policyholder and the National Council on Compensation Insurance was tested for the examination period.

## SELECTION OF SAMPLES

### Auto-Owners Insurance Company

	<u>Population</u>	<u>Reviewed</u>	<u>Percentage</u>
<b><u>Complaint Handling</u></b>			
DOI Complaints	34	34	100%
Consumer Complaints	17	17	100%
<b><u>Risk Selection</u></b>			
Automobile Cancellations-First 60 Days	40	25	63%
Automobile Cancellations-After 60 Days	1111	30	3%
Automobile Nonrenewals	182	34	19%
Commercial Auto Cancellations-First 60 Days	22	22	100%
Commercial Auto Cancellations-After 60 Days	260	45	17%
Commercial Auto Nonrenewals	31	30	97%
Homeowners Cancellations-First 60 Days	147	79	54%
Homeowners Cancellations-After 60 Days	5000	115	2%
Homeowners Nonrenewals	559	113	20%
Dwelling Fire Cancellations-First 60 Days	64	64	100%
Dwelling Fire Cancellations-After 60 Days	1337	114	9%
Dwelling Fire Nonrenewals	169	79	47%
Farmowners Cancellations-First 60 Days	10	10	100%
Farmowners Cancellations-After 60 Days	230	73	32%
Farmowners Nonrenewals	56	56	100%
Mobile Homeowners Cancellations-First 60 Days	3	3	100%
Mobile Homeowners Cancellations-After 60 Days	77	49	64%
Mobile Homeowners Nonrenewals	12	12	100%
Workers' Compensation Cancellations-First 60 Days	25	25	100%
Workers' Compensation Cancellations-After 60 Days	1349	63	5%
Workers' Compensation Nonrenewals	904	68	8%
<b><u>Underwriting and Rating</u></b>			
Automobile New Business	1725	19	1%
Commercial Auto Renewals	306	19	6%
Homeowners New Business	10499	116	1%
Dwelling Fire New Business	1922	114	6%
Farmowners New Business	265	54	20%
Mobile Homeowners New Business	41	41	100%
Workers' Compensation New Business	694	67	10%
Workers' Compensation Renewals	756	61	8%

	<u>Population</u>	<u>Reviewed</u>	<u>Percentage</u>
<b><u>Claims</u></b>			
Automobile First-Party Paid	1456	28	2%
Automobile First-Party CWP	273	27	10%
Automobile First-Party Total Losses	218	25	11%
Automobile Third-Party Paid	578	27	5%
Automobile Third-Party CWP	75	24	32%
Automobile Subrogation	118	25	21%
Commercial Auto First-Party Paid	176	29	16%
Commercial Auto First-Party CWP	93	28	30%
Commercial Auto First-Party Total Losses	32	21	66%
Commercial Auto Third-Party Paid	152	29	19%
Commercial Auto Third-Party CWP	45	39	87%
Commercial Auto Subrogation	17	17	100%
Homeowners Paid	3219	106	3%
Homeowners CWP	929	104	11%
Dwelling Fire Paid	365	82	22%
Dwelling Fire CWP	133	76	57%
Farmowners Paid	344	66	19%
Farmowners CWP	54	54	100%
Mobile Homeowners Paid	56	47	84%
Mobile Homeowners CWP	12	12	100%
Workers' Compensation Paid	490	40	8%
Workers' Compensation CWP	56	32	57%
<b><u>Workers' Compensation Unit Statistical Reporting</u></b>			
Unit Statistical Reporting	490	40	8%

## Owners Insurance Company

	<u>Population</u>	<u>Reviewed</u>	<u>Percentage</u>
<b><u>Complaint Handling</u></b>			
DOI Complaints	18	18	100%
Consumer Complaints	7	7	100%
<b><u>Risk Selection</u></b>			
Automobile Cancellations-First 60 Days	84	54	64%
Automobile Cancellations-After 60 Days	3219	85	3%
Automobile Nonrenewals	430	79	18%
Commercial Auto Cancellations-First 60 Days	9	9	100%
Commercial Auto Cancellations-After 60 Days	391	68	17%
Commercial Auto Nonrenewals	52	49	94%
Farmowners Cancellations-First 60 Days	5	5	100%
Farmowners Cancellations-After 60 Days	34	11	32%

	<u>Population</u>	<u>Reviewed</u>	<u>Percentage</u>
<b><u>Risk Selection (Continued)</u></b>			
Farmowners Nonrenewals	11	11	100%
Mobile Homeowners Cancellations-First 60 Days	0	0	0%
Mobile Homeowners Cancellations-After 60 Days	47	30	64%
Mobile Homeowners Nonrenewals	8	8	100%
Workers' Compensation Cancellations-First 60 Days	4	4	100%
Workers' Compensation Cancellations-After 60 Days	1101	52	5%
Workers' Compensation Nonrenewals	600	46	8%
<b><u>Underwriting and Rating</u></b>			
Automobile New Business	8875	97	1%
Commercial Auto Renewals	703	57	8%
Farmowners New Business	155	32	21%
Mobile Homeowners New Business	37	37	100%
Workers' Compensation New Business	479	47	10%
Workers' Compensation Renewals	659	53	8%
<b><u>Claims</u></b>			
Automobile First-Party Paid	4194	81	2%
Automobile First-Party CWP	805	80	10%
Automobile First-Party Total Losses	687	80	12%
Automobile Third-Party Paid	1729	81	5%
Automobile Third-Party CWP	181	58	32%
Automobile Subrogation	262	57	22%
Commercial Auto First-Party Paid	471	76	16%
Commercial Auto First-Party CWP	180	54	30%
Commercial Auto First-Party Total Losses	85	55	65%
Commercial Auto Third-Party Paid	282	54	19%
Commercial Auto Third-Party CWP	42	37	88%
Commercial Auto Subrogation	34	34	100%
Homeowners Paid	73	2	3%
Homeowners CWP	9	1	11%
Farmowners Paid	87	17	20%
Farmowners CWP	14	14	100%
Mobile Homeowners Paid	34	29	85%
Mobile Homeowners CWP	9	9	100%
Workers' Compensation Paid	822	67	8%
Workers' Compensation CWP	79	44	56%
<b><u>Workers' Compensation Unit Statistical Reporting</u></b>			
Unit Statistical Reporting	822	67	8%

## IV. FINDINGS

### A. Complaint Handling

#### 1. Department of Insurance Complaints

For one (1) complaint, the company failed to respond to the Department of Insurance by the date specified in the DOI's notification as required by 50 Ill. Adm. Code 926.40 (a). (OIC)

#### 2. Consumer Complaints

The company did not respond to three (3) complaints within 21 days of receipt as required by 215 ILCS 5/143d(b). (OIC)

### B. Risk Selection

#### 1. Automobile Cancellations First 60 Days

No violations were noted.

#### 2. Automobile Cancellations After 60 Days

No violations were noted.

#### 3. Automobile Nonrenewals

For one (1) nonrenewal, the company failed to provide a specific reason for nonrenewal as required by 215 ILCS 5/143.17e. (AOIC)

For three (3) nonrenewals, the Companies did not provide notification of possible eligibility for insurance through the Illinois Automobile Insurance Plan as required by 215 ILCS 5/143.20.

#### 4. Commercial Automobile Cancellations First 60 Days

No violations were noted.

5. Commercial Automobile Cancellations After 60 Days

No violations were noted.

6. Commercial Automobile Nonrenewals

No violations were noted.

7. Homeowners Cancellations First 60 Days

For six (6) cancellations, the company failed to provide the insured reasonable time to repair the property prior to cancellation in violation of 215 ILCS 5/143.27. (AOIC)

For one (1) cancellation, the company failed to provide a specific reason for the cancellation as required by 215 ILCS 5/143.15. (AOIC)

8. Homeowners Cancellations After 60 Days

No violations were noted.

9. Homeowner Nonrenewals

The company failed to provide a specific reason for three (3) nonrenewals as required by 215 ILCS 5/143.17e. (AOIC)

The company failed to provide the insured notice of eligibility for the FAIR Plan and the procedure to follow to make application to the plan for four (4) nonrenewals as required by 215 ILCS 5/143.22. (AOIC)

10. Dwelling Fire Cancellations First 60 Days

For nine (9) cancellations, the company failed to provide the insured reasonable time to repair the property prior to cancellation in violation of 215 ILCS 5/143.27. (AOIC)

11. Dwelling Fire Cancellations After 60 Days

For three (3) cancellations, the company failed to provide the insured reasonable time to repair the property prior to cancellation in violation of 215 ILCS 5/143.27. (AOIC)

12. Dwelling Fire Nonrenewals

For four (4) nonrenewals, the company failed to provide the insured notice of eligibility for the FAIR Plan and the procedure to follow to make application to the Plan as required by 215 ILCS 5/143.22. (AOIC)

13. Farmowners Cancellations First 60 Days

No violations were noted.

14. Farmowners Cancellations After 60 Days

The company failed to provide the insured notice of eligibility for the FAIR Plan and the procedure to follow to make application to the Plan in three (3) cancellation notices as required by 215 ILCS 5/143.22. (AOIC)

15. Farmowners Nonrenewals

The Companies failed to provide the insured notice of the right to appeal and the procedure to follow for such appeal for 62 nonrenewals as required by 215 ILCS 5/143.23.

The Companies failed to provide the insured notice of eligibility for the FAIR Plan and the procedure to follow to make application to the plan for 67 nonrenewals as required by 215 ILCS 5/143.22.

16. Mobile Homeowners Cancellations First 60 Days

No violations were noted.

17. Mobile Homeowners Cancellations After 60 Days

No violations were noted.

18. Mobile Homeowners Nonrenewals

No violations were noted.

19. Workers' Compensation Cancellations First 60 Days

No violations were noted.

20. Workers' Compensation Cancellations After 60 Days

No violations were noted.

21. Workers' Compensation Nonrenewals

No violations were noted.

C. Underwriting and Rating

1. Automobile New Business

No violations were noted.

2. Commercial Automobile Renewals

No violations were noted.

3. Homeowners New Business

For one (1) policy, the company failed to offer mine subsidence coverage as required by 215 ILCS 5/805.1. (AOIC).

The company failed to file six (6) policy forms in use during the exam period in violation of 50 Ill. Adm. Code 753.10(a)(1)&(2). (AOIC)

4. Dwelling Fire New Business

No violations were noted.

5. Farmowners New Business

No violations were noted.

6. Mobile Homeowners New Business

For one (1) policy, the company failed to offer mine subsidence coverage as required by 215 ILCS 5/805.1. (AOIC)

7. Workers' Compensation New Business

In one (1) underwriting file, the company failed to include an officer exclusion/inclusion form resulting in incorrect premium in violation of 215 ILCS 5/462b. (OIC)

The company used unfiled rates in one (1) underwriting file in violation of 215 ILCS 5/462b. (OIC)

The company used an incorrect classification code to rate the policy in one (1) underwriting file in violation of 215 ILCS 5/462b. (AOIC)

8. Workers' Compensation Renewals

No violations were noted.

D. Claims

1. Automobile First-Party Paid

The Companies failed to provide a written explanation of delay for two (2) claims pending over 40 days as required by 50 Ill. Adm. Code 919.80(b)(2).

2. Automobile First-Party Closed Without Payment

The company failed to provide written explanation of denial for two (2) claims as required by 50 Ill. Adm. Code 919.50(a)(1). (OIC)

3. Automobile Total Loss

In 22 claims, the Companies failed to provide Exhibit A information to the insured, or did not send the information timely as required by 50 Ill. Adm. Code 919.80(c).

4. Automobile Third-Party Paid

No violations were noted.

5. Automobile Third-Party Closed Without Payment

No violations were noted.

6. Automobile Subrogation

In two (2) claims, the Companies failed to return the deductible or failed to return the deductible timely as required by 215 ILCS 5/143b.

7. Commercial Automobile First-Party Paid

No violations were noted.

8. Commercial Automobile First-Party CWP

No violations were noted.

9. Commercial Automobile First Party Total Loss

No violations were noted.

10. Commercial Automobile Third-Party Paid

The company failed to pay one (1) claim within 30 days after affirmation of liability as required by 50 Ill. Adm. Code 919.50(a). (AOIC)

11. Commercial Automobile Third-Party CWP

No violations were noted.

12. Commercial Automobile Subrogation

In five (5) claims, the Companies failed to return the deductible due or failed to return the correct amount as required by 215 ILCS 5/143b.

13. Homeowners Paid

No violations were noted.

14. Homeowners Closed Without Payment

No violations were noted.

15. Dwelling Fire Paid

The company failed to provide written explanation of delay for four (4) claims as required by 50 Ill. Adm. Code 919.80(d)(7)(B). (AOIC)

16. Dwelling Fire Closed Without Payment

In eight (8) claims, the company sent denial letters that did not contain the Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1). (AOIC)

17. Farmowners Paid

In four (4) claims, the company failed to provide written explanation of delay, or the delay letter did not contain the Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.80(d)(7)(B). (AOIC)

18. Farmowners Closed Without Payment

In five (5) claims, the Companies failed to provide written explanation of delay, or the delay letter did not contain the Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.80(d)(7)(B).

19. Mobile Homeowners Paid

The company failed to provide written explanation of delay for two (2) claims as required by 50 Ill. Adm. Code 919.80(d)(7)(B). (AOIC)

20. Mobile Homeowners Closed Without Payment

No violations were noted.

21. Workers' Compensation Paid

The Companies failed to pay nine (9) claims within 30 days of receipt as required by 820 ILCS 305/8.2(d)(1).

The Companies failed to pay interest on nine (9) claims experiencing late payments as required by 820 ILCS 305/8.2(d)(3).

22. Workers' Compensation Closed Without Payment

No violations were noted.

E. Workers' Compensation Unit Statistical Reporting

No violations were noted.

**V. INTERRELATED FINDING**

The Companies settle Mobile Homeowner claims at Actual Cash Value (ACV) unless modified by Policy Endorsement, “Mobile Homeowners Replacement Cost Coverage.” Of 18 claim files reviewed with the endorsement, five (5) policies with Replacement Cost coverage were settled at Actual Cash Value. During the examination, the Companies issued payments for all monies due, instituted internal reviews of their procedures to properly address such claims, and indicated they would address the issue with claims management and staff.



# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**AUTO-OWNERS INSURANCE COMPANY  
OWNERS INSURANCE COMPANY  
6101 ANACAPRI BLVD  
LANSING, MI 48917-3999**

### 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, Auto-Owners Insurance Company ("the Company"), NAIC 18988, and Owners Insurance Company ("the Company"), NAIC 32700 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.*) 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 a written response to written inquiries and complaints within twenty-one (21) days of receipt as required by 215 ILCS 5/143d(b).
2. Institute and maintain policies and procedures whereby the Company will provide the insured who experienced a total loss the information contained in Exhibit A and will provide that information within seven (7) days of the insured vehicle being determined a total loss as is required by 50 Ill. Adm. Code 919.80(c).
3. 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.
4. Institute and maintain policies and procedures whereby the Company shall provide the insured Notice of Availability of the Department of Insurance when providing a reasonable written explanation to the insured of the basis of a lower offer or denial within 30 days after the investigation and determination of liability is completed as required by 50 Ill. Adm. Code 919.50(a)(1).
5. Institute and maintain policies and procedures whereby the Company shall ensure claims submitted by providers are paid within thirty (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).
6. Institute and maintain policies and procedures whereby the Company shall ensure interest is paid at a rate of one percent (1%) per month on any bill or portion unpaid within such thirty (30) day period as required by 820 ILCS 305/8.2(d)(3).
7. The companies shall institute and maintain procedures to ensure they provide a reasonable period of time for rehabilitation of property prior to cancellation, as required by 215 ILCS 5/143.27.
8. 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.

9. Institute and maintain policies and procedures whereby the Company shall ensure the insured is notified of their eligibility for the FAIR Plan Association in the notice of intent not to renew as required by 215 ILCS 5/143.22.
10. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above nine (9) orders within 30 days of execution of this Order.
11. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$17,000.00 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 AUTO-OWNERS INSURANCE COMPANY and OWNERS INSURANCE COMPANY

[Handwritten Signature]  
Signature

Andrew J. Torrey  
Name

Attorney - Home office legal  
Title (w/ authority to sign for AOIC/OIC)



Subscribed and sworn to before me this 17 day of January 2019.

[Handwritten Signature]  
Notary Public

TONYA L RODRIGUEZ  
NOTARY PUBLIC - STATE OF MICHIGAN  
COUNTY OF INGHAM  
My Commission Expires November 18, 2019  
Acting in the County of Eaton

DEPARTMENT OF INSURANCE of the State of Illinois:

DATE 1/22/19

[Handwritten Signature]  
Karin Zosel  
Acting Director

