



# Illinois Department of Insurance

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BRUCE RAUNER  
Governor

JENNIFER HAMMER  
Acting Director

February 2, 2017

Dean E. Delghingaro  
President  
Midwest Insurance Company  
300 S. Bradfordton Road  
Springfield, IL 62711

Re: Midwest Insurance Company, NAIC 10895  
*Market Conduct Examination Report Closing Letter*

Dear Mr. Delghingaro:

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](mailto:Jack.Engle@Illinois.gov)

**MIDWEST INSURANCE COMPANY**  
**MARKET CONDUCT EXAMINATION**

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: July 18, 2016 through August 15, 2016

EXAMINATION OF: Midwest Insurance Company  
NAIC #: 10895

LOCATION: 300 S. Bradfordton Road  
Springfield, IL 62711

PERIOD COVERED BY  
EXAMINATION: April 1, 2015 through March 31, 2016  
Complaints – January 1, 2015 through March 31, 2016

EXAMINERS: Aubrey Powell  
Nicole Richards  
Ron Cochran, Examiner-in-Charge

## INDEX

	Page #
I. SUMMARY	1
II. BACKGROUND	1
III. METHODOLOGY	2-3
IV. SELECTION OF SAMPLE	3
V. FINDINGS	4-5
A. Complaints	
1. Illinois Department of Insurance Complaints	
2. Consumer Complaints	
B. Risk Selection	
1. Workers' Compensation - Cancellations	
2. Workers' Compensation - Nonrenewals	
3. Workers' Compensation - Renewals	
C. Underwriting	
1. Workers' Compensation - New Business	
D. Claims	
1. Workers' Compensation - Claims Paid	
2. Workers' Compensation - Claims Closed Without Payment	
E. Producer Licensing	
F. Interrogatory	

I. SUMMARY

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

<b><u>TABLE OF TOTAL VIOLATIONS</u></b>						
<b>Crit #</b>	<b>Statute/Rule</b>	<b>Description</b>	<b>Population</b>	<b>Files Reviewed</b>	<b># of Violations</b>	<b>Error %</b>
1	215 ILCS 5/143.17a	Nonrenewals – non-specific reason for nonrenewal	9	9	5	56%
2	50 Ill. Adm. Code 9110.70(a)(3)	Claims paid – notify employee why TTD delayed and what is needed	507	99	3	3%
3	215 ILCS 5/143c(2)	Interrogatory #2 – provide written notice of the address of the Public Service Division of the Department of Insurance	N/A	N/A		

II. BACKGROUND

Midwest Insurance Company, NAIC 10895

The Company was incorporated on January 12, 1998, under the laws of Illinois and began business on March 20, 1998.

The Company is a wholly owned subsidiary of Midwest Financial Holdings, LLC, an Illinois domiciled holding company regulated by the State of Illinois.

Mr. Max Carney serves as Chairman and Chief Executive Officer of the Company. Mr. Dean Delghingaro serves as President and Head of Marketing for the Company.

The Company reports there have been no significant structural changes since the Company’s formation.

The Company’s 2015 NAIC Annual Statement Page 19 (Illinois) reflects the following:

	Line	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
16	Workers’ Compensation	\$9,855,283	\$10,058,865	\$3,884,272	\$4,673,898

### 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. Complaints
2. Risk Selection
3. Underwriting
4. Claims
5. Producer Licensing

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

The following method was used to obtain the required samples and to assure a statistically sound selection. Surveys were developed from Company generated Excel spreadsheets. Random statistical printout reports were generated by the examiners and presented to the Company for retrieval.

#### Complaints

The Company was requested to identify all consumer and Illinois Department of Insurance complaints received during the examination period.

#### Risk Selection

Cancellation and nonrenewal of existing Workers' Compensation policy holders were requested on the basis of the effective date of the transaction falling within the period under examination.

Workers' Compensation 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, compliance with Company underwriting guidelines and to ensure the coverage provided was as requested by the applicant.

The Workers' Compensation policy renewal sample was selected on the basis of the effective date of renewal of the policy falling within the experience period under examination.

The Workers' Compensation policy renewals were reviewed for their compliance with statutory requirements.

Claims

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

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.* and 820 ILCS 305/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

Producer Licensing

The licenses of the agencies/producers were reviewed for compliance with statutory and licensing requirements.

IV. SELECTION OF SAMPLE

**Survey**

	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
<b>Complaints</b>			
Department of Insurance Complaints	2	2	100.00%
Consumer Complaints	0	0	N/A
<b>Risk Selection</b>			
Commercial Workers' Compensation Non-Pay Cancellations	9	9	100.00%
Commercial Workers' Compensation Insured Requested Cancellations	47	47	100.00%
Commercial Workers' Compensation Mid Term Cancellations	1	1	100.00%
Commercial Workers' Compensation Underwriting Reasons Cancellations	0	0	N/A
Commercial Workers' Compensation Nonrenewals	9	9	100.00%
Commercial Workers' Compensation Renewals	288	84	29.17%
<b>Underwriting</b>			
Commercial Workers' Compensation New Business	38	38	100.00%
<b>Claims</b>			
Commercial Workers' Compensation Paid	507	99	19.53%
Commercial Workers' Compensation Closed w/o Payment	99	99	100.00%
<b>Producer Licensing</b>			
	38	38	100.00%

V. FINDINGS

A. Complaints

1. Illinois Department of Insurance Complaints

There were no criticisms in this survey.

2. Consumer Complaints

There were none for review in the Consumer Complaint survey.

B. Risk Selection

1. Workers' Compensation - Cancellations

There were no criticisms in the four (4) surveys completed: Non-payment of Premium, Insured Requested Cancellations, Mid-Term Cancellations and Underwriting Reason Cancellations. There were no Underwriting Reasons Cancellations reported.

2. Workers' Compensation - Nonrenewals

In five (5) files (56% of the nine (9) reviewed) the Company failed to provide a specific reason or reasons for nonrenewal as required by 215 ILCS 5/143.17a.

Policy Number	Effective Date	Mailing Date	Nonrenewal Date	Criticism
	04/04/2014	01/30/2015	04/04/2015	reason provided not specific
	11/12/2014	09/10/2015	11/12/2015	reason provided not specific
	10/12/2014	07/30/2015	10/12/2015	reason provided not specific
	01/01/2015	10/23/2015	01/01/2016	reason provided not specific
	01/01/2015	10/27/2015	01/01/2016	reason provided not specific

3. Workers' Compensation - Renewals

There were no criticisms in this survey.

C. Underwriting

1. Workers' Compensation - New Business

There were no criticisms in this survey.

D. Claims

1. Workers' Compensation - Claims Paid

In three (3) files (3% of the 99 reviewed), the Company failed to provide within 14 days correspondence to the employee stating what information was needed to make the determination of temporary total compensation, after receiving notification of the employee's inability or alleged inability to work, and to advise the employee in writing why the requested information was necessary per 50 Ill. Adm. Code 9110.70(a)(3).

2. Workers' Compensation – Claims Closed Without Payment

There were no criticisms in this survey.

E. Producer Licensing

There were no criticisms in this survey.

F. Interrogatory

Interrogatory #2 revealed the Company failed to provide the address of the Public Service Division of the Department of Insurance as required by 215 ILCS 5/143c(2). The Company corrected this issue.

STATE OF ILLINOIS            )  
  ) ss  
COUNTY OF SANGAMON        )

Ron Cochran, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Acting Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Midwest Insurance Company, (the "Company"), NAIC 10895.

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.

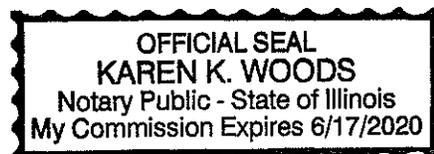


Examiner-In-Charge

Subscribed and sworn to before me

this 25 day of August, 2016

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



STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

MIDWEST INSURANCE COMPANY  
300 S. BRADFORDTON ROAD  
SPRINGFIELD, IL 62711

STIPULATION AND CONSENT ORDER

WHEREAS, the Acting Director ("Acting 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, Midwest Insurance Company, ("Company"), NAIC 10895, is authorized under the insurance laws of this State and by the Acting 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 its 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, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Acting 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 Acting 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 Acting 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 Acting Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall provide the insured a specific explanation of the reason or reasons for nonrenewal in the notice of intention not to renew as required by 215 ILCS 5/143.17a(a).
2. Institute and maintain policies and procedures whereby the Company policy forms shall provide written notice of the address of the Public Service Division of the Department of Insurance as required by 215 ILCS 5/143c(2).
3. Submit to the Acting Director of Insurance, State of Illinois, proof of compliance with the above two (2) orders within 30 days of execution of this Order.
4. Pay to the Acting Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$10,500 to be paid within 30 days of execution of this Order.

