



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor  
Theodore K. Nickel, Commissioner

Wisconsin.gov

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Notice of Adoption and Filing of Examination Report

Take notice that the proposed report of the market conduct examination of the

OWNERS INSURANCE COMPANY  
6101 ANACAPRI BLVD  
LANSING MI 48917

dated September 21, 2015, and served upon the company on October 22, 2015, has been adopted as the final report, and has been placed on file as an official public record of this Office.

Dated at Madison, Wisconsin, this 10th day of June, 2016.

A handwritten signature in black ink, appearing to read 'Theodore K. Nickel', written over a horizontal line.

Theodore K. Nickel  
Commissioner of Insurance

**STATE OF WISCONSIN  
OFFICE OF THE COMMISSIONER OF INSURANCE**

**MARKET CONDUCT EXAMINATION**

**OF**

**OWNERS INSURANCE COMPANY  
LANSING, MICHIGAN**

**OCTOBER 20, 2014 - OCTOBER 24, 2014**

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September 24, 2015

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Honorable Theodore K. Nickel
Commissioner of Insurance
Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was conducted October 20, 2014 - October 24, 2014, of:

OWNERS INSURANCE COMPANY
Lansing, Michigan

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

Owners Insurance Company (the company) is a stock company domiciled in Ohio. The parent company, Auto-Owners Insurance Company, owns 99.9% of the stock company. The company has a pro-rata reinsurance agreement with the parent company. The company is licensed in 31 states and is actively writing and assuming business in 25 states. The company writes mainly property and casualty in both personal and commercial lines.

National Direct Premium Written to Wisconsin Direct Premium Written

Table with 3 columns: Year, National Direct Premium Written, Wisconsin Direct Premium Written. Rows for 2013 and 2012.

Licensed States and Jurisdictions

In 2012 and 2013 the company reported written premium in Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky,

Minnesota, Missouri, Nebraska, North Carolina, North Dakota, Ohio, Pennsylvania, South Carolina, South Dakota, Tennessee, Utah, Virginia, and Wisconsin.

The majority of the Wisconsin premium earned by the company in 2013 and 2012 was in the private passenger auto line of business. The following tables summarize the premium earned and incurred losses in Wisconsin for 2013 and 2012 broken down by line of business.

**Wisconsin Direct Premium and Loss Summary**

2013		
Line of Business	Premium Earned	Losses Incurred
Fire & Allied Lines	\$261,682	\$638,265
Homeowners/Farmowners	15,988,742	7,212,235
Commercial Multiple Peril	16,919,457	6,946,139
Worker's Compensation	4,744,982	2,064,851
Private Passenger Auto	32,103,473	22,606,436
Commercial Auto	5,622,008	2,526,969
All Others	5,999,309	971,662
<b>Total</b>	<b>\$81,639,653</b>	<b>\$42,966,557</b>

2012		
Line of Business	Premium Earned	Losses Incurred
Fire & Allied Lines	\$161,206	\$653,999
Homeowners/Farmowners	14,199,684	9,429,876
Commercial Multiple Peril	14,583,737	4,727,622
Worker's Compensation	4,009,190	2,983,330
Private Passenger Auto	31,104,045	23,089,538
Commercial Auto	4,990,573	5,070,667
All Others	5,394,166	7,972,212
<b>Total</b>	<b>\$74,442,601</b>	<b>\$53,927,244</b>

The Office of the Commissioner of Insurance received five complaints against the company between January 1, 2012 through June 30, 2013. A complaint is defined as "a written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent."

## Complaints Received

2013					
Reason Type	Underwriting	Marketing and Sales	Claims	Policyholder Service	Other
Coverage Type	No.	No.	No.	No.	No.
Home/Farm	1	1	0	0	0
Commercial Liability	0	0	1	0	0
All Others	0	0	0	0	0
Total	1	1	1	0	0

2012					
Reason Type	Underwriting	Marketing and Sales	Claims	Policyholder Service	Other
Coverage Type	No.	No.	No.	No.	No.
Home/Farm	0	0	0	0	0
Commercial Liability	0	0	2	0	0
Personal Auto	1	0	0	0	0
All Others	0	0	0	0	0
Total	1	0	2	0	0

## II. PURPOSE AND SCOPE

A targeted examination was conducted to determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules. The examination focused on the period from January 1, 2012 through June 30, 2013. In addition, the examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination.

The examination included a review of homeowners insurance business in Wisconsin and was limited to a review of claims; policy forms; policyholder service and complaints; company operation and management; and underwriting.

The report is prepared on an exception basis and comments on those areas of the company's operations where adverse findings were noted.

### III. CURRENT EXAMINATION FINDINGS

#### Claims

The company has claim branches located in Appleton, Eau Claire and Madison. The regional vice president of the Appleton region oversees the managers of the three Wisconsin branches. Each region is also assigned a home office claims liaison to work in conjunction with the regional vice president. Some Wisconsin claims are also handled within the company office location in Lansing, Michigan.

The examiners reviewed 150 closed homeowners claims. Of these claims, 100 were homeowners claims closed with payment and 50 were closed without payment. The company's claim handling practices and procedures were also reviewed. There were three exceptions noted.

During a review of the company claim handling procedure documents, examiners found that if there is no coverage for a claim under a policy, the company has a procedure in place to send a coverage position letter explaining why no coverage applies. According to information provided by the company, a copy of the coverage position letter must be in the claim file. The examiners found three files where the company did not promptly send a written coverage position letter after a claim was verbally denied. The letters generated for two of the claim files were mailed more than 30 days after the adjuster's notes in the claim file first indicated the claim should be denied. There was no denial letter mailed for one claim file found. Section Ins 6.11 (3) (a) 7, Wis. Adm. Code provides that failure to affirm or deny coverage of claims within a reasonable time, if committed by any person without just cause and performed with such frequency as to indicate a general business practice, shall constitute unfair methods and practices in the business of insurance. Promptly sending a coverage position letter verifies to the consumer the exact decision of the company and provides documentation the company is not using unfair methods and practices in the process of settling claims.

1. It is recommended that the company consistently apply its current documented procedure to promptly send a written claim denial and to place a copy in the claim file. Company compliance with its current documented procedure will ensure continued compliance with s. Ins 6.11 (3), Wis. Adm. Code.

The examiners found two homeowners insurance claim files where claim payments were overdue, as defined under s. 628.46 (1), Wis. Stat. Section 628.46 (1), Wis. Stat., in part, provides that a claim is overdue if not paid within 30 days after the insurer is furnished written notice of the fact of a covered loss, the amount of the loss and reasonable proof to establish that the insurer is responsible for the payment. In addition, s. 628.46 (1), Wis. Stat., requires that all overdue payments shall bear simple interest at the rate of 12% per year. Examiners found the company did not include interest on the two claim payments. The company advised examiners that interest payments owed would be issued to the two insureds.

2. It is recommended that the company develop, implement and follow written procedures to ensure that claims are paid promptly, within 30 days after written notice is furnished on a covered claim, in order to comply with s. 628.46 (1), Wis. Stat.
3. It is recommended that the company include interest on claims that are not paid within 30 days of receipt of documentation in order to comply with s. 628.46, Wis. Stat.

#### Underwriting and Rating

The underwriting branch in Appleton is primarily responsible for Wisconsin business. The insurance company home office underwriting departments provide support and program development. While not part of the underwriting division, the Company does employ marketing representatives who have been given underwriting authority. New business is subject to review by the Appleton underwriting department. The Appleton branch is tasked with determining eligibility and acceptability of both new and existing policies. The examiners reviewed the company's homeowners underwriting procedures and manuals. One exception was noted.

Examiners found in the Mobile Homeowners general rule pages reviewed that under, "Cancellation, Nonrenewal or Reduction in Amount of Insurance", that the company lists a 30

day notice of cancellation or nonrenewal must be given to the insured and lienholder. Section 631.36 (4) (a), Wis. Stat., provides that a policyholder has a right to have the policy renewed, on the terms then being applied by the insurer to similar risks, for an additional period of time equivalent to the expiring term if the agreed term is one year or less, or for one year if the agreed term is longer than one year, unless at least 60 days prior to the date of expiration provided in the policy a notice of intention not to renew the policy beyond the agreed expiration date is mailed or delivered to the policyholder which states clearly the effect of nonpayment of premium by the due date. The company advised the examiners that they are in compliance with the requirements of the Wisconsin law and the rule page found by examiners has a typographical error. The company further advised the error will be fixed and filed with OCI to reference the correct number of days.

4. It is recommended that the company revise the general rules for the mobile homeowners program to comply with s. 631.36 (4) (a), Wis. Stat.

#### Marketing and Sales

The company's marketing of products and services is exclusively through the independent agency system. No exceptions were noted.

#### Policy Forms

Examiners reviewed the policy forms used by the company during the period of review to verify that the provisions of the policy forms comply with Wisconsin insurance laws. No exceptions were noted.

#### Policyholder Service and Complaints

Examiners reviewed the company procedures and guidelines related to policyholder service and the handling of complaints. Independent agencies are utilized for sales and the main contact for policyholders. Questions regarding a policy are referred to the agent. General questions regarding a claim are referred to the handling claim branch. Each division of the

company handles their own consumer inquiries and may redirect the consumer back to the independent agent for further assistance.

When a complaint is received it is forwarded to claims executive support. Claims executive support will review the complaint and input basic complaint information into the company complaint database. The claims executive support will identify the divisions that may potentially be involved in the complaint. The company reports that it will generally classify a complaint as a claims complaint, an underwriting complaint or a marketing complaint. It is also possible that a complaint is classified as a joint complaint involving multiple divisions. Depending on the classification of the complaint, the review of and response to the complaint would follow the specific guidelines outlined by the company for each classification. Complaint records are retained and retrievable. No exceptions were noted.

#### IV. CONCLUSION

A total of four recommendations were made relating to the need for Owners Insurance Company to modify claim procedures and an underwriting guideline page. The company should provide a written notice of coverage denial after a representative of the company verbally denies a claim. In addition, the company should develop, implement and follow written procedures to ensure that claims are paid promptly, within 30 days after written notice is furnished on a covered claim, in order to comply with s. 628.46 (1), Wis. Stat. and include the applicable interest with a late claim payment. The company must update its mobile homeowners manual to ensure compliance with s. 631.36 (4) (a), Wis. Stat.

## V. SUMMARY OF RECOMMENDATIONS

### Claims

- Page 6      1.    It is recommended that the company consistently apply its current documented procedure to promptly send a written claim denial and to place a copy in the claim file. Company compliance with its current documented procedure will ensure continued compliance with s. Ins 6.11 (3), Wis. Adm. Code.
- Page 6      2.    It is recommended that the company develop, implement, and follow written procedures to ensure that claims are paid promptly, within 30 days after written notice is furnished on a covered claim, in order to comply with s. 628.46 (1), Wis. Stat.
- Page 6      3.    It is recommended that the company include interest on claims that are not paid within 30 days of receipt of documentation in order to comply with s. 628.46, Wis. Stat.

### Underwriting and Rating

- Page 7      4.    It is recommended that the company revise the general rules for the mobile homeowners program to comply with s. 631.36 (4) (a), Wis. Stat.

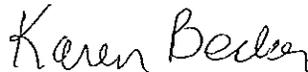
## VI. ACKNOWLEDGEMENT

The courtesy and cooperation extended to the examiners during the course of the examination by the officers and employees of the company is acknowledged.

In addition, to the undersigned, the following representatives of the Office of the Commissioner of Insurance, state of Wisconsin, participated in the examination.

<u>Name</u>	<u>Title</u>
Jennifer Harris, MCM	Insurance Examiner
Drew Hunkins, MCM	Insurance Examiner
Rebecca Rebholz, MCM	Insurance Examiner

Respectfully submitted,



Karen Becker, MCM  
Examiner-in-Charge