



**State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE**

**Jim Doyle, Governor**  
**Jorge Gomez, Commissioner**

**Wisconsin.gov**

125 South Webster • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
Phone: (608) 266-3585 • Fax: (608) 266-9935  
E-Mail: [information@oci.state.wi.us](mailto:information@oci.state.wi.us)  
Web Address: [oci.wi.gov](http://oci.wi.gov)

**Notice of Adoption and Filing of Examination Report**

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

Secura Insurance A Mutual Company  
2401 South Memorial Drive  
Appleton WI 54915

dated June 7-11, 2004, and served upon the company on December 21, 2004, 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 4th day of February, 2005.

Jorge Gomez  
Commissioner of Insurance

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

**MARKET CONDUCT EXAMINATION**

**OF**

**SECURA INSURANCE A MUTUAL COMPANY  
APPLETON, WISCONSIN**

**JUNE 7 – 11, 2004**

## TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>II.</b>	<b>PURPOSE AND SCOPE .....</b>	<b>5</b>
<b>III.</b>	<b>PRIOR EXAMINATION RECOMMENDATIONS .....</b>	<b>6</b>
<b>IV.</b>	<b>CURRENT EXAMINATION FINDINGS .....</b>	<b>9</b>
	POLICY FORMS & RATES.....	9
	CLAIMS.....	10
	UNDERWRITING.....	11
	PRODUCER LICENSING .....	13
	MARKETING SALES, ADVERTISING & eCOMMERCE .....	14
	POLICYHOLDER SERVICE & COMPLAINTS.....	14
	COMPANY OPERATIONS & MANAGEMENT .....	15
<b>V.</b>	<b>CONCLUSION .....</b>	<b>16</b>
<b>VI.</b>	<b>SUMMARY OF RECOMMENDATIONS .....</b>	<b>17</b>
<b>VII.</b>	<b>ACKNOWLEDGEMENT .....</b>	<b>18</b>



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Jim Doyle, Governor  
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June 7, 2004

**Bureau of Market Regulation**  
125 South Webster Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
(608) 266-3585 • (800) 236-8517  
Fax: (608) 264-8115  
E-Mail: marketreg@oci.state.wi.us  
Web Address: oci.wi.gov

Honorable Jorge Gomez  
Commissioner of Insurance  
Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was conducted June 7 to June 11, 2004, of:

SECURA INSURANCE A MUTUAL COMPANY  
Appleton, Wisconsin

and the following report of the examination is respectfully submitted.

#### I. INTRODUCTION

Secura Insurance, A Mutual Company, formerly known as Home Mutual Insurance Company, was organized as a mutual insurance company on March 1, 1900, under the laws of Wisconsin, and commenced business in Wisconsin on May 1, 1900. Its home office is in Appleton, Wisconsin. Secura Insurance, A Mutual Company is a fire and casualty company and is licensed in Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, and Wisconsin. The company writes homeowner's, farmowner's and automobile insurance in Wisconsin along with smaller amounts of commercial multiple peril, worker's compensation, commercial auto, and fire & allied lines insurance. The company markets insurance through independent agents

For 2003 and 2002, the company was licensed in 14 states: Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, and Wisconsin.

In 2003 and 2002 the company reported written premium in 9 of the 14 states: Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, and Wisconsin.

The following table summarizes the total direct national premium written in 2003 and 2002 as compared to the total direct premium written in Wisconsin.

Year	National Direct Premium Written	Wisconsin Direct Premium Written	WI As a Percentage of the National Premium
2003	\$193,545,450	\$43,629,949	22.54%
2002	178,760,459	46,744,629	26.14

### Wisconsin Direct Premium and Loss Summary

The majority of the premium earned by the company in 2003 and 2002 was for private passenger auto and homeowner's insurance. The following tables summarize the premium earned and incurred losses in Wisconsin for 2003 and 2002 broken down by line of business.

2003				
Line of Business	Premium Earned	% of WI Total	Losses Incurred	Pure Loss Ratio
Fire & Allied Lines	\$ 649,562	1.45%	\$ 494,451	3.20%
Homeowners/Farmowners	18,013,746	40.38	3,820,153	24.69
Commercial Multiple Peril	2,245,203	5.03	973,557	6.3
Worker's Compensation	3,877,763	8.69	1,691,442	10.9
Private Passenger Auto	16,744,104	37.53	7,209,577	46.60
Commercial Auto	1,819,827	4.08	\$665,761	4.30
All Others	1,257,291	2.82	1,111,091	7.18
Total	\$44,607,496		\$15,966,032	

Prior Year 2002				
Line of Business	Premium Earned	% of WI Total	Losses Incurred	Pure Loss Ratio
Fire & Allied Lines	\$ 622,365	1.32%	\$ 265,218	1.07%
Homeowners/Farmowners	18,885,679	40.0	8,571,207	34.68
Commercial Multiple Peril	1,937,602	4.11	1,238,355	5.01
Worker's Compensation	2,784,733	5.9	1,349,018	5.46
Private Passenger Auto	20,353,017	43.16	12,653,711	51.20
Commercial Auto	1,412,542	3.0	1,001,715	4.05
All Others	3,950,508	8.4	983,839	4.00
Total	\$47,161,713		\$24,714,045	

In 2002, the company ranked as the 3<sup>rd</sup> largest writer of farmowner's. In addition, the company ranked as the 13<sup>th</sup> largest writer for homeowner's, ranked 5<sup>th</sup> for worker's

compensation, ranked 15<sup>th</sup> for other liability, ranked as 12<sup>th</sup> for private passenger auto, and ranked 14<sup>th</sup> for commercial vehicle.

In 2001, the company ranked as the largest writer of worker's compensation insurance in Wisconsin. In addition, the company ranked as the 3rd largest writer of farmowners, ranked 11th for fire, 8<sup>th</sup> in homeowners, and 12th in commercial multiple peril, 12<sup>th</sup> in other liability, 11th in private passenger auto, and 14<sup>th</sup> in commercial vehicles.

### Complaints Received

The Office of the Commissioner of Insurance received 19 complaints against the company in 2003 and 40 complaint in 2002. A complaint is defined as a written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent. The following table categorizes the complaints received against the company by type of policy and complaint reason. There may be more than one type of coverage and/or reason for each complaint.

Current: Three Months Ending March 31, 2004					
Reason Type	Total	Underwriting	Marketing & Sales	Claims	Policyholder Service
Coverage Type	No.	No.	No.	No.	No.
Personal Auto	1			1	
Commercial Vehicle					
Com Prop & Liability	1	1			1
Home/Farmowners	1			1	
Commercial Liability					
Worker's Comp					
Fidelity & Surety					
All Others					
Total	3	1		2	1

2003					
Reason Type	Total	Underwriting	Marketing & Sales	Claims	Policyholder Service
Coverage Type	No.	No.	No.	No.	No.
Personal Auto	10	1		7	3
Commercial Vehicle					
Com Prop & Liability	1			1	
Home/Farmowners	8	1	1	5	2
Commercial Liability	1			1	
Worker's Comp	1			1	

2003					
Reason Type	Total	Underwriting	Marketing & Sales	Claims	Policyholder Service
Coverage Type	No.	No.	No.	No.	No.
Fidelity & Surety					
All Others					
Total	21	2	1	15	5

2002					
Reason Type	Total	Underwriting	Marketing & Sales	Claims	Policyholder Service
Coverage Type	No.	No.	No.	No.	No.
Personal Auto	8			8	
Commercial Vehicle	1			1	
Com Prop & Liability	4		11	4	
Home/Farmowners	24	6	1	20	3
Commercial Liability	1			1	
Worker's Comp	1			1	1
Fidelity & Surety					
All Others	1	1			
Total	40	7	12	35	4

During the year of 2003, OCI received 19 complaints against the company. In addition, the total number of complaints received in 2003, decreased by 52.5% (21 complaints) from the number of complaints received in 2002. Private passenger auto insurance accounted for 10 of the 19 complaints. Homeowner's insurance accounted for eight of the 19 complaints. The majority of these complaints were for claims.

For 2002 the company appeared on the homeowner's above-average complaint-to-premium list with a ratio of 0.13. In 2002, 24 of the 40 complaints were for homeowner's insurance followed by private passenger auto with eight complaints. These complaints were mostly for claims which included 20 of the 24 complaints for homeowner's coverage and all eight complaints for private passenger auto. In 2002 the company was ranked 21 on the above-average complaint list for homeowner's insurance.

## **II. PURPOSE AND SCOPE**

An examination was conducted to review compliance with the recommendations made in the examination report dated September 28, 2001. The areas targeted were based upon the prior examination's recommendations and included a review of claims, commercial and personal lines policy forms, underwriting and rating, and producer licensing. The current examination focused on compliance for the period from January 1, 2003, through December 31, 2003. In addition, the examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination. This examination included a general overview of the company's marketing and sales, policyholder service and complaints, eCommerce, privacy, and company operations and management.

This compliance examination is limited to homeowner's and personal passenger automobile lines of business.

The following functional areas as they relate to compliance with the recommendations in the prior examination were reviewed during the examination; Policy Forms, Claims, Underwriting, and Producer Licensing.

The report is prepared on an exception basis and comments on those areas of the company's operations where adverse findings were noted. The term "commissioner" refers to the Office of the Commissioner of Insurance.



### III. PRIOR EXAMINATION RECOMMENDATIONS

The previous market conduct examination of the company, as adopted June 5, 2002, contained 20 recommendations.

The following recommendations were made in the examination report dated September 28, 2001.

#### Forms Recommendations

1. It is recommended that the company stop using the ISO form DL 24 03 07 88 in order to avoid misleading and deceptive form language and to avoid noncompliance with s. 631.20 (2) (a), Wis. Stat.

**Action:** Compliance

2. It is recommended that the company revise its Dwellingowners Policy, Repair Cost Homeowners (DOP-02 8606); Mobile Homeowners Policy, Broad Form (HMP-02 8606); Mobile Homeowners Policy, Special Form (HMP-03 8606); Homeowners Policy, Broad Form (HOP-02 8606); Homeowners Policy, Special Form (HOP-03 8606); Homeowners Policy, Condominium Owners and Renters Form (HOP-406 8606); and Homeowners Protector Policy, Special Form (HPP-03 8606) to comply with s. Ins 6.76 (3) (e) 2, Wis. Adm. Code.

**Action:** Compliance

3. It is recommended that the company revise form ILE 0290 8610, Snowmobile and Recreational Vehicle Coverage Form, to comply with the Wisconsin Supreme Court decision of Rimes v. State Farm Mutual Automobile Insurance Company, 106 Wis. 2d 263.

**Action:** Compliance

4. It is recommended that form UPP-001-8702, Umbrella Liability Policy, be amended to comply with s. 632.32 (5) (b), Wis. Stat., and s. 632.32 (6) (b) 1, Wis. Stat.

**Action:** Compliance

5. It is recommended that the company amend form CUP 4550 9601 to comply with s. 632.32 (5) (c), Wis. Stat.

**Action:** Compliance

6. It is recommended that the company amend form HEE 1004 9505 to comply with ss. 632.24 and 803.04, Wis. Stat.

**Action:** Compliance

## Claims Recommendations

7. It is recommended that the company submit a plan to promptly reimburse its insured's' deductibles when collecting in installment payments from negligent parties in order to make its insured's whole and to comply with the Wisconsin Supreme Court decision of Rimes v. State Farm Mutual Automobile Insurance Company, 106 Wis. 2d 263.

**Action:** Compliance

8. It is recommended that the company revise the Consent & Authorization for Disclosure of Medical Information form to comply with s. 610.70 (2) (a) 8, Wis. Stat.

**Action:** Compliance

9. It is recommended that the company in order to document compliance and avoid the unfair claim settlement practices described in s. Ins 6.11 (3) (a) 7, Wis. Adm. Code, it is recommended again that the company implement procedures that ensure a written claim denial is sent promptly after the claim is verbally denied.

**Action:** Compliance

10. It is recommended in order to comply with the company's current procedure and to avoid violation of s. Ins 6.11 (3) (a) 2, Wis. Adm. Code, it is recommended again that the company apply its present procedure to all claims and follow-up with the claimant 30 days after the initial request for estimates.

**Action:** Compliance

## Underwriting Recommendations

11. It is recommended that the company implement a procedure to ensure that uninsured motorists coverage is automatically included in auto liability policies issued in this state in order to comply with s. 632.32 (1) and (4) (a), Wis. Stat.

**Action:** Compliance

12. It is recommended that the company amend its manual to delete a conviction of altering a driver's license from the nonbinding list in the auto underwriting rules and to amend its manual to clarify that a driver's license revocation or suspension must be a revocation or suspension related to driving in order to ensure compliance with s. Ins 6.54 (3) (a) 1, Wis. Adm. Code.

**Action:** Compliance

13. It is recommended that the company contact its applicants and document its files to show those contacts when issuing policies with terms other than requested in the original application in order to comply with s. 628.34 (1) (a), Wis. Stat.

**Action:** Compliance

14. It is recommended that the company and/or its agents issue insurance binders for the same coverage period that is provided in the policy for which application is made in order to avoid a binder form that misrepresents coverage and is misleading and deceptive with reference to s. 631.20 (2) (a), Wis. Stat.

**Action:** Compliance

15. It is recommended that the company provide a proper nonrenewal notice by providing more detail when nonrenewing a policy for reasons of claims history or experience, payment history, motor vehicle record by specifically listing the claims, payments, or motor vehicle violations in order to comply with s. 631.36 (6), Wis. Stat.

**Action:** Compliance

16. It is recommended that the company provide training to their agents on properly completing applications with the date and time of binding in order to avoid payment of claims that occur before the time of signing the application and ensure compliance with s. 628.34 (1), Wis. Stat.

**Action:** Compliance

17. It is recommended that the company put procedures in place to verify that an application is submitted by an intermediary-agent who is listed with the company in order not to violate s. Ins 6.57 (5), Wis. Adm. Code.

**Action:** Compliance

### **Producer Licensing Recommendations**

18. It is recommended that the company put procedures in place to ensure that the company notifies the OCI when terminating an individual intermediary-agent in order to comply with s. Ins 6.57 (2), Wis. Adm. Code.

**Action:** Compliance

19. It is recommended that the company put procedures in place to ensure that the company notifies the OCI when appointing an individual intermediary-agent in order to comply with s. Ins 6.57 (1), Wis. Adm. Code.

**Action:** Compliance

20. It is recommended that the company put procedures in place to ensure that individual intermediary-agents are not terminated in error to avoid noncompliance with s. Ins 6.57 (5), Wis. Adm. Code.

**Action:** Compliance

## IV. CURRENT EXAMINATION FINDINGS

### Policy Forms & Rates

The examiners reviewed the 182 commercial lines forms including automobile businessowner's, farmowner's endorsements, package, and excess liability forms. Also reviewed were 16 personal automobile forms and 100 homeowner's and dwelling forms.

The following exceptions were noted.

Form CDO 1000 98 12, Directors and Officer's Liability Coverage, contained language which does not comply with ss. 632.24 and 803.04, Wis. Stat. First, the form states the company cannot be sued unless all the terms of the policy have been complied with, nor can any suit be brought against the company until the claim has been settled. Section 632.24, Wis. Stats., states in part, the insurer is liable irrespective of whether the liability is fixed or certain by final judgment against the insured. Second, the form states, "Nothing in the policy gives any person...the right to join us..." Section 803.04, Wis. Stat., states in part, "persons may join in one action." Also, the form contained language for a "Loss Payment," that requires proof of claim within 90 days after liability is rendered fixed and certain by a final judgment or an admission by the company. This does not comply with s. 631.81 (1), Wis. Stat., as this statute allows the notice or proof of loss to be furnished as soon as reasonably possible and within one year after the time required by the policy, failure to furnish such notice or proof within the required time required by the policy does not invalidate or reduce a claim unless the insurer is prejudiced thereby and it was reasonably possible to meet the time limit. The company advised the policy language includes a "conformity to statute" provision but since the form is unclear the company agreed to remove any language which conflicts with the cited statutes

- 1. Recommendation:** It is recommended that the company stop using form CDO 1000 98 12, "Directors and Officers Liability Coverage" in order to comply with ss. 632.24, 803.04, and 631.81 (1), Wis. Stat.

## Claims

The examiners reviewed the company's responses to the Claims interrogatory, the company's claim manuals, and 250 claim files. 50 unpaid and paid claim files were reviewed under the personal lines of Homeowner's/Farmowner's and Private Passenger Automobile. In addition, 50 subrogation files were reviewed.

The examiners found one claim file that did not contain a written denial letter to the claimant as a follow-up to a verbal denial. This issue was raised in a prior recommendation. The file however contained a letter denying a subrogation request that was initiated by the claimant's insurer. The file was otherwise well documented and noted the claimant was given a verbal denial. The company has implemented a company procedure to provide a written denial letter after it gives a verbal denial.

The examiners reviewed 50 Subrogation claim files. The examiners found 4 Subrogation files that indicated the company received payments from subrogation demands and the insured was not made whole by reimbursement of their deductible. The Wisconsin Supreme Court decision of Rimes v. State Farm Mutual Automobile Insurance Company, 106 Wis. 2d.263, requires that insurers may not retain any recovery until the insured is made whole. The company must reimburse the deductible before retaining their portion of the claim settlement from a subrogation claim. The company advised that its policy is to reimburse deductibles for every \$100.00 collected or every six months whichever is sooner, which is a policy the Office of the Commissioner of Insurance has accepted.

- 2. Recommendation:** It is recommended the company enhance its procedures to follow its approved policy so that deductibles are reimbursed when the company receives payments from negligent parties in order to comply with the Wisconsin Supreme Court decision of Rimes v. State Farm Mutual Automobile Insurance Company, 106 Wis. 2d.263.

## **Underwriting**

The examiners reviewed the company's underwriting manuals and the company's response to the underwriting interrogatory as well as 200 underwriting files for new and terminated business under personal lines. 50 files for homeowner's and farmowner's were reviewed for new business. 50 files were reviewed for terminated homeowner's and farmowner's business. 50 files were reviewed for new business for Private Passenger Automobile. 50 files for terminated Private Passenger Auto were reviewed.

The examiners found 11 Homeowner's/Farmowner's files and 17 Private Passenger Automobile files in which the application did not have a date when the coverage was to begin (called the binding date). In one Private Passenger Automobile file, the examiners found the binder date was four days prior to the effective date. In 3 Homeowner's/Farmowner's files the examiners found that the binding date did not match the effective date. This misrepresents coverage and is misleading and deceptive because its benefits are restricted to achieved the purposes for which the policy is sold as stated in s. 631.20 (2) (a) 1, Wis. Stat. The examiners found the company has implemented training to ensure applications are properly completed as a result of the prior examination's recommendation to provide training for its agents. The company should continue to reinforce the training implemented since the last examination or provide additional training for their agents to properly complete applications with a date and time of binding to ensure compliance s. 628.34 (1), Wis. Stat., which does not allow misrepresentation, including information that is false or misleading, including information misleading because of incompleteness.

Also the examiners found 2 Homeowner's/Farmowner's files with binders for policy periods that did not match the policy's coverage period and found 1 Private Passenger Automobile file where the agent had bound coverage for a 30-day period. The examiners found the agents should be properly trained when completing applications to ensure binders are issued with the same coverage period as the policy as the binder is subject to the same terms

and conditions of the policy. The prior examination recommended the company provide training for properly completing an application, which resulted in implementation of training for its agents to ensure a binder was issued with the same coverage period as provided in the policy to ensure compliance with ss. 628.34 (1), 631.20 (2) (a) 1, and 631.05, Wis. Stat. The company explained that it trained staff and agents to address this issue.

- 3. Recommendation:** It is recommended that the company should conduct additional training for its agents to properly complete applications with a date and time of binding to ensure compliance with s. 628.34 (1), Wis. Stat. Also, the company should continue to train or enhance its training to agents to properly fill out applications to avoid binders which are issued with a coverage period that does not match the policy period to ensure compliance with ss. 631.20 (2) (a) 1 and 631.05, Wis. Stat.

The examiners found 3 Private Passenger files in the sample reviewed where applicants were issued policies for new business with altered terms and the notice to the insured was not documented in the files. In addition, 3 Homeowner's/Farmowner's files were found where an applicant was issued a policy with terms other than applied and no evidence was found in the file to indicate the policyholders were notified of the changes. The insurer must properly advise an applicant of a change in coverage if the policy is issued with terms that are different than applied for or bound in order to ensure compliance with ss. 628.34 (1) (a), 631.36 (2) (c), 631.36 (3) and 631.36 (5), Wis. Stat., which provides that the applicant or insured is notified of a altered terms and advised the applicant of the applicant's right to cancel without penalty.

- 4. Recommendation:** It is recommended that the company contact applicants and document its files to properly notify the insured when issuing a policy with altered terms in order to ensure compliance with ss. 628.34 (1) and 631.36, Wis. Stat.

The examiners found when reviewing the underwriting files that the language on billing notices did not clearly state the effect of nonpayment of premium. In response to this exception the examiners could not determine how the company can ensure compliance with s. 631.36 (4), Wis. Stat., as the statute provides a mechanism for terminating coverage at the

due date if premium is not paid.. The statute provides that such a notice state clearly the effect of nonpayment of premium by the due date.

- 5. Recommendation:** It is recommended that the company revise its notice language to advise the insured about the effect of nonpayment of premium in order to ensure compliance with s. 631.36 (4), Wis. Stat.

## **Producer Licensing**

The examiners reviewed the information provided by the data call which included the company's agent terminations, active appointment listings. Also we reviewed the company's response to the Producer Licensing's interrogatory.

The data call for the company's agent appointments and terminations found eight exceptions that indicated discrepancies with the data call information received. The company addressed each producer related exception with supporting documentation when applicable. Each exception response provided answers, which demonstrated compliance with the regulation noted in these exceptions.

The examiners found, when reviewing the underwriting files, 1 Homeowner's/ Farmowner's file with an application that was accepted by the company from an agent that was not licensed in Wisconsin. The company indicated this agent was providing coverage on a seasonal home in Wisconsin. The agent is licensed in Minnesota and is the agent for the applicant's primary residence. The company advised the agent works in an agency that has a nonresident agent who is licensed in Wisconsin. The prior examination found the company had accepted applications from nonappointed agents therefore it was recommended that the company put procedures in place to verify that an application is submitted by an agent that is listed with the company. The company complied by sending a memo instructing staff to ensure all applications are submitted by authorized and listed agents. Also the company advised during the current examination that it conducts periodic audits to verify that applications are submitted by authorized appointed agents. The company implemented this procedure in response to the prior recommendation and to comply with s. Ins 6.57 (5), Wis. Adm. Code.



The response to Producer Licensing's interrogatory question #27 noted that agents terminated by the Office of the Commissioner of Insurance would not prompt a request for a return of indicia. The company advised the request would not be required to inform an agency as the agency would still be working with the indicia. This does not address the return of indicia from the terminated agent and for the agency that might only have one agent listed with the company. Section 628.40, Wis. Stat. requires that the company make a reasonable effort to obtain the return of indicia from all terminated agents.

- 6. Recommendation:** It is recommended that the company include in its termination letter a request for the return of indicia from all terminated agents in order to ensure compliance with s. 628.40, Wis. Stat.

### **Marketing Sales, Advertising & eCommerce**

The examiners reviewed the company's response to the Marketing & Sales and eCommerce interrogatory response; the company's website; marketing, sales and advertising manuals for personal lines including farm; plus bulletins and newsletters. The examiners also met with and interviewed representatives of the company to supplement interrogatory responses and to provide additional information to facilitate the examination review for this portion of the examination. The examiners found the material presented educational as well as training information. The material reviewed did advise employees and agents of relevant issues including training messages that related to prior recommendations, which demonstrates the company's efforts to ensure compliance with Wisconsin insurance regulations. The company advised it markets its products through independent agents and their website. The company's materials, manuals and website inform, train, and facilitate the company's customer service and sales. No exceptions were noted.

### **Policyholder Service & Complaints**

The examiners reviewed the company's response to the Policyholder Service & Complaint interrogatory, the company's complaint log, and interviewed representatives of the company to supplement interrogatory responses and to provide additional information to

facilitate the examination review for this portion of the examination. The examiners found the information provided addressed the company's efforts to monitor for problems that affect customer service and business practices. The internal audit department is currently monitoring and developing procedures to ensure quality service and continued compliance with Wisconsin insurance regulations. As the company had been on previous complaint summary lists we discussed the past complaint history. The company stated that because of catastrophic losses it had experienced a greater number of complaints about claim issues in prior years. The company plans for two to three catastrophic losses a year. In 1998, the company had seven catastrophic losses. During 2003 they had no catastrophic losses. We requested and received the company's 2002 and 2003 complaint logs. The review of the log demonstrates the company has a clear policy on handling complaints including complaints from the Office of the Commissioner of Insurance as well as internal complaints, verbal complaints and complaints from, agencies, agents and claim adjusters. The review emphasizes customer service as the company's priority when handling complaints. The examiners found no exceptions.

### **Company Operations & Management**

The examiners reviewed the company's response to the Company Operations & Management interrogatory as well as the response to the Privacy interrogatory. Also the examiners interviewed representatives of the company to supplement interrogatory responses and to provide additional information to facilitate the examination review for this portion of the examination. The examiners found the company's information and materials reviewed, demonstrates the company efforts to monitor and modify its business practices. No exceptions were found.

## **V. CONCLUSION**

A total of 6 recommendations were made relating to the company's need to modify a commercial form CDO 1000 98 12, revise notice language to advise the insured of the effect of nonpayment of premium, monitor subrogation claims to ascertain insureds are indemnified, enhance underwriting procedures to ensure the agents are properly completing applications, enhance company procedures to ensure applicants are notified of policy's issued with altered terms, request indicia from all terminated agents and continue to ascertain agents are licensed before accepting business.

In general the examiners found the company complied with the prior examination's recommendation by their revised company procedures. The current findings overall were based on exceptions, which have shown in most circumstances the company's procedures are effective but may need further efforts to implement specific practices. The company has established and has emphasized use of its internal audit department to demonstrate the company's effort, direction and commitment to provide customer service and sales as well as to comply with the prior recommendations, and Wisconsin insurance statutes and codes. The company explained that it intended to continue its efforts with internal audits and training for staff.

## VI. SUMMARY OF RECOMMENDATIONS

### Policy Forms

- Page 09      1. It is recommend that the company stop using form CDO 1000 98 12, "Directors and Officers Liability Coverage" in order to comply with ss. 632.24, 803.04, and 631.81 (1), Wis. Stat

### Claims

- Page 10      2. It is recommended the company enhance its procedures to follow its approved policy so that deductibles are reimbursed when the company receives payments from negligent parties in order to comply with the Wisconsin Supreme Court decision of Rimes v. State Farm Mutual Automobile Insurance Company, 106 Wis. 2d.263.

### Underwriting

- Page 12      3. It is recommend that the company should conduct additional training for its agents to properly complete applications with a date and time of binding to ensure compliance with s. 628.34 (1), Wis. Stat. Also the company should continue to train or enhance its training to agents to properly fill out applications to avoid binders which are issued with a coverage period that does not match the policy period to ensure compliance with ss. 631.20 (2) (a) 1 and 631.05, Wis. Stat.
- Page 12      4. It is recommended that the company contact applicants and document its files to properly notify the insured when issuing a policy with altered terms in order to ensure compliance with ss. 628.34 (1) (a) and 631.36, Wis. Stat.
- Page 13      5. It is recommended that the company revise its notice language to advise the insured about the effect of nonpayment of premium in order to ensure compliance with s. 631.36 (4), Wis. Stat.

### Producer Licensing

- Page 14      6. It is recommended that the company include in its termination letter a requests for the return of indicia from all terminated agents to ensure compliance with s. 628.40, Wis. Stat.

## VII. 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>
Jane Kovacik CPCU	Senior Insurance Examiner
Rhonda Peterson CPCU, CIE, AIC, HIA	Senior Insurance Examiner
Jo LeDuc CIE, CPCU	Advance Insurance Examiner

Respectfully submitted,

Katherine Otis  
Examiner-in-Charge