



Illinois Department of Insurance

JB Pritzker
Governor

Dana Popish Severinghaus
Director

January 9, 2024

Mr. Daniel Connell, President
c/o Mr. Ron Mitchell
Pekin Insurance Company
2505 Court Street
Pekin, IL. 61558

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

Dear Mr. Connell:

The Department has received your Company's proof of compliance. 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
Chief Market Conduct Examiner
Illinois Department of Insurance
320 West Washington St., 5th Floor
Springfield, IL 62767
Phone: 217-782-1790
E-mail: Erica.Weyhenmeyer@Illinois.gov

Illinois Department of Insurance

Market Conduct Examination

of

**Pekin Insurance Company
Farmers Automobile Insurance Association**

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: December 18, 2021 – January 30, 2023

EXAMINATION OF: Pekin Insurance Company, NAIC 24228
Farmers Automobile Insurance Association, NAIC 24201

LOCATION: 2505 Court Street Pekin, IL. 61558

PERIOD COVERED: September 1, 2020, to September 1, 2021, and March 1, 2020, to September 1, 2021, for complaints.

EXAMINERS :
Lisa Crump
Karina Ruthenberg
Bradley Shoop
Dudley Ewen
Tony J. Taylor
George Kalargyros, Examiner-in-Charge
Shelly Schuman, Supervisory Insurance Examiner

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I. FOREWORD

This is a market conduct examination report of Pekin Insurance Company and Farmers Automobile Insurance Association (the “Company”). The examination was conducted at authorized offsite locations.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance (“DOI” or “Department”).

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

II. SCOPE OF EXAMINATION

The Department has the authority to conduct this examination pursuant to, but not limited to, Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (5/132, 5/401, 5/401.5, 5/402, 5/403 and 5/425).

The purpose of the examination was to determine if the Company complied with the Illinois Insurance Code (215 ILCS 5/1 et seq.), (820 ILCS 305/1 et seq.), the Illinois Administrative Code (50 Ill. Admin. Code 2902 and 9110), and to consider whether the Company's operations are consistent with the public interest for workers compensation, private passenger auto (including motorcycle) and homeowners (includes homeowners, condominium, dwelling fire and mobile home) insurance. The primary period covered by this review is September 1, 2020, through September 1, 2021, and March 1, 2020, through September 1, 2021, for complaints. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination involved the following business functions and lines of business: company operations and management, Department of Insurance and consumer complaints, producer licensing, policyholder services, marketing and sales, underwriting and rating, and claims handling practices for its clients.

In performing this examination, the examiners reviewed a sample of the Company's practices, procedures, products, forms, extra-contractual claim adjudication guidelines, and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

III. SUMMARY

The following represent overall findings, however specific details and error percentages are found within each corresponding section of this report.

The top issues noted in this examination centered around claims handling, communications compliance, and document management. The following table represents general findings with specific details in each section of the report.

TABLE OF TOTAL VIOLATIONS					
Crit #	Statute/Rule	Description of Violation	Sample	Violations	Error %
1	215 ILCS 5/143c & 215 ILCS 5/143d	Failure to include DOI addresses on Notice of Availability for Cancellation Letters.	79	19	24%
2	215 ILCS 5/143.17. a. (a)	Failure to provide timely 60-day non-renewal notice.	79	5	6.30%
3	215 ILCS 5/143.17.a.(d)	Failure to provide non-renewal proof of mailing.	79	3	3.79%
4	215 ILCS 5/143.17a	Failure to provide non-renewal reason in notice.	79	6	7.50%
5	215 ILCS 5/462a	Failure to send a +5% renewal premium increase letter.	14	10	71.40%
6	215 ILCS 5/143.17a(b)(d)	Failure to send renewal premium increase letter.	115	1	1%
7	215 ILCS 5/154.6 (n)	Failure to provide claims denial letter.	14	4	28.50%
9	215 ILCS 5/143.17a	Failure to provide specific non-renewal reasons in letter.	79	2	2.50%
10	215 ILCS 5/143.17.a.(d)	Failure to provide non-renewal proof of mailings.	79	15	18.90%
11	215 ILCS 5/155.27	Refusal to write a policy based on previous carrier.	1	1	100%
12	50 Ill. Adm. Code 931.40(a)	Failure to include the address to be used for the Illinois Department of Insurance.	16	10	62.50%
13	215 ILCS 5/143c & 215 ILCS 5/143d	Failure to include DOI addresses on Notice of Availability with New Business documents.	115	50	43.48%
14	215 ILCS 5/143.14 (a)	Failure to provide cancellation proof of mailing.	102	9	8.80%
15	50 Ill. Adm. Code 919.80 (b) (2)	Failure to send 40-day claims denied letters.	14	2	14.20%
16	215 ILCS 5/143.15 & 215 ILCS 5/143.14 (a)	Failure to mail 10-day cancellation notice timely.	116	8	6.80%
17	215 ILCS Section 143.14. (a) and Section 5/132 (2)	Notice of cancellation not provided and failing to properly aid in the facilitation of the examination.	86	16	18.60%
18	215 ILCS 5/143.14a	Failure to provide proof of mailing and cancellation notice.	29	8	28%
19	215 ILCS 5/143.14(a) and 215 ILCS 5/143.15	Failure to provide proof of mailing and cancellation notice for company-initiated cancellations.	18	5	27%
20	215 ILCS 5/143.14(a)	Failure to provide proof of mailing and cancellation notice for insured requested cancellations and non-payment of premium.	114	80	70%
21	215 ILCS 5/143c	Failure to include DOI addresses on Notice of Availability with renewal documents.	116	116	100%

TABLE OF TOTAL VIOLATIONS					
Crit #	Statute/Rule	Description of Violation	Sample	Violations	Error %
22	215 ILCS 5/143c & 215 ILCS 5/143d	Failure to include DOI addresses on Notice of Availability with New Business and renewal documents.	85	34	40%
23	215 ILCS 5/143.14(a), 215 ILCS 5/143.15	Failure to mail non-renewal letter and provide proof of mailing.	78	5	6.41%
25	215 ILCS 5/143c & 215 ILCS 5/143d	Failure to include DOI addresses on Notice of Availability with denial letter.	105	1	1%
26	50 Ill. Adm. Code 919.80 (b) (2)	Failure to mail 40-day letter timely.	105	57	54.30%
27	215 ILCS 5/154.6 (c)	Failure to implement reasonable standards for the prompt investigations and settlement of the claims.	105	6	5.70%
28	215 ILCS 5/154.6 (l)	Failure to include coverage on claims payment.	106	17	16%
29	50 Ill. Adm. Code 919.80 (a)	Failure to offer payment of claim 30 days of affirming liability.	106	3	2.80%
30	50 Ill. Adm. Code 919.80 (b)(2)	Failure to send first party 40-day claims letters.	106	28	26.40%
31	215 ILCS 5/143c and 215 ILCS 5/143d	Failure to include DOI addresses on Notice of Availability.	126	122	96.80%
32	215 ILCS 5/143c & 215 ILCS 5/143d	Failure to include DOI addresses on Notice of Availability with denial letter.	94	46	48.90%
33	50 Ill. Adm. Code 919.80 (c)	Failure to provided total loss exhibit A within 7 days.	74	22	29.70%
34	50 Ill. Adm. Code 919.80 (b)(3)	Failure to send claimants 60-day notice when claim unresolved.	31	6	19.40%
35	215 ILCS 5/154.6 (l)	Failure to include coverage on payment.	74	15	20.30%
36	50 Ill. Adm. Code 919.80 (b)(2)	Failure to send first parties 40-day letter when claim unresolved.	74	7	9.50%
37	50 Ill. Adm. Code 919.50 (a).	Payment not made within 30-days after liability affirmed.	107	1	1%
38	50 Ill. Adm. Code 919.80 (b)(3).	Failure to send claimants 60-day notice when claim unresolved.	107	32	29.90%
39	50 Ill. Adm. Code 919.30 (c)	Failure to document the basis for liability decision to third-party.	98	1	1%
40	50 Ill. Adm. Code 919.50 (a)(1) and 215 ILCS 5/154.6 (n)	Failure to properly send liability denial letter to claimant within 30 days.	98	23	23.50%
41	50 Ill. Adm. Code 919.80 (b)(3)	Failure to send claimants 60-day notice when claim unresolved.	98	42	42.80%
42	919.80 (b) (3)	Failure to send claimants 60-day notice when claim unresolved.	71	23	32.30%
43	919.50 (a) (2)	Failure to properly send liability denial letter to claimant within 30 days.	71	2	2.80%
44	215 5/154.6 (n) and Section 919.50 (a) (2)	Failure to provide a reasonable written explanation for the basis of a claim's denial.	71	18	25.35%
45	FAIR Plan 215 ILCS 5/143.22	Failure to notify insureds of their eligibility in the FAIR Plan.	84	15	17.80%
46	215 ILCS 5/143c and 215 ILCS 5/143d	Failure to include DOI addresses on Notice of Availability.	125	125	100%
47	215 ILCS 5/143.17a.(d)	Failure to maintain proof of mailing.	95	2	2.10%
48	215 ILCS 5/143.14 (a)	Failure to provide proof of mailing.	116	2	1.70%
50	50 Ill. Adm. Code 919.80 (d)(7)(B)	Failure to send first parties notifications when claims is unresolved within 75 days.	89	19	21.30%

TABLE OF TOTAL VIOLATIONS					
Crit #	Statute/Rule	Description of Violation	Sample	Violations	Error %
51	Admin. Code 50, Section 919.30 (c)	Failure to provide proper documentation for the depreciation of claims.	89	7	7.80%
52	215 ILCS 5/154.6 (a) and (r)	Improperly using a property claim to influence the settlement of an injury claim.	31	1	3.20%
53	919.80 (c)(3)(A)(i) and 215 ILCS 5/154.6(a).	Failure to properly apply the “in lieu of reimbursement procedure” when settling total loss claim.	74	58	78.40%
54	50 Ill. Adm. Code 919.50 (a)(1)	Failure to send a reasonable written explanation of the basis of a lower offer.	106	4	3.80%
55	215 ILCS 5/154.6 (a) & (c)	Failure to adopt and implement reasonable standards for the prompt investigations and settlement of claims arising under its policies.	115	4	3.47%
56	50 Ill. Adm. Code 919.30 (c) and 50 Ill. Adm. Code 919.80 (d)(8)(A).	Failure to maintain detailed documentation for the reconstruction of the activities of the claim, detailing any and all deductions for depreciation, including, but not necessarily limited to, the age, condition, and expected life of the property.	115	64	55.65%
57	50 Ill. Adm. Code 919.50 (a).	Failure to offer payment within 30 days.	115	4	3.47%
58	50 Ill. Adm. Code 919.80 (d)(7)(B)	Failure to send notifications to the insured in situations where claims were not resolved within 75 days.	115	18	15.65%
59	215 ILCS 5/154.6 (h)	Failure to inspect damaged property prior to issuing the claim denial.	87	2	2.29%
60	50 Ill. Adm. Code 919.50 (a)(1)	Failure to clearly set forth the policy definition, limitation, exclusion, or condition upon which denial was based.	87	1	1.14%
61	50 Ill. Adm. Code 919.50 (a)(1)	Failure to send a denial letter, send it within 30 days of affirmation of liability, or include the Notice of Availability.	87	10	11.49%
62	50 Ill. Adm. Code 919.80 (d)(7)(B)	Failure to properly send notifications to the insured in situations where claims were not resolved within 75 days.	87	18	20.68%
63	50 Ill. Adm. Code 919.80 (c) (2) (B) (i)	Failure to properly apply condition adjustments to total loss vehicles.	74	2	2.70%
64	Sec. 154.6(c) and (d), 50 Ill. Adm. Code 919.30 (c) and 50 Ill. Adm. Code 919.80 (d)(8)(A)	Failure to maintain detailed documentation for the reconstruction of the activities of the claim, detailing any and all deductions for depreciation, including, but not necessarily limited to, the age, condition, and expected life of the property.	82	37	45.10%
65	50 Ill. Adm. Code 919.80 (d)(7)(B).	Failure to send notifications to the insured in situations where claims were not resolved within 75 days.	82	5	6%
66	50 Ill. Adm. Code 919.50 (a)	Failure to offer payment within 30 days.	82	1	1.20%
67	215 ILCS 5/154.6 (l)	Failure to include the coverage on the claim payment.	82	2	2.40%

TABLE OF TOTAL VIOLATIONS					
Crit #	Statute/Rule	Description of Violation	Sample	Violations	Error %
68	215 ILCS 5/154.6 (d)	Not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear.	82	3	3.70%

IV. BACKGROUND

Pekin Insurance is a group name adopted to designate the combined operations of Farmers Automobile Insurance Association, Pekin Insurance Company, PAC, Inc., Pekin Select Insurance Company, and Pekin Life Insurance Company. The joint operation of the five companies is conducted under the name or designation of Pekin Insurance. The home office of the companies is at 2505 Court Street, Pekin, Illinois. Claim service offices are maintained in O'Fallon and Warrenville, both in Illinois; Phoenix, Arizona; Indianapolis, Indiana; Des Moines, Iowa; Columbus, Ohio; and Appleton, Wisconsin.

The parent company, Farmers Automobile Insurance Association ("Association"), is a reciprocal, organized under the laws of the State of Illinois, April 1, 1921. The Attorney-In-Fact for the Association is Farmers Automobile Management Corporation. Subscribers to Farmers Automobile Insurance Association appoint Farmers Automobile Management Corporation as Attorney-In-Fact to manage all affairs of the Association. Subscribers elect an Advisory Committee at their Annual Meeting to act for and on behalf of the subscribers on all matters relative to the conduct of the affairs of Farmers Automobile Insurance Association that may come before the Advisory Committee. The Attorney-In-Fact Management Corporation is wholly owned by Farmers Automobile Insurance Association.

Pekin Insurance Company is a capital stock insurance company organized under the laws of the State of Illinois, May 22, 1961. All outstanding shares of stock are owned by Farmers Automobile Insurance Association. PAC, Inc. is a premium finance company wholly owned by Pekin Insurance Company. Organized April 16, 1963, its primary function is to provide installment payment of insurance premiums.

V. METHODOLOGY

The market conduct examination covered business for the period of September 1, 2020 through September 1, 2021 and March 1, 2020 through September 1, 2021 for complaints. Specifically, the examination focused on a review of the following areas:

- a. Company Operations and Management
- b. Complaint Handling
- c. Producer Licensing
- d. Policyholder Services
- e. Marketing and Sales
- f. Underwriting and Rating
- g. Claims

The review of the categories was accomplished through the examination of policyholder, claims, and complaint files. Each of the categories were examined for compliance with Department regulations and applicable state laws.

The report states whether improper practices performed by the Company resulted in the failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Company addressing violations discovered in the review process. All valid violations were cited and are reported in this report by product line and within each category. The following methods were used to obtain the required samples and to assure a methodical selection:

Company Operations and Management

A review was conducted of the Company's underwriting and claims guidelines and procedures, policy forms, third party vendors, internal audits, record retention policy and procedures, certificate of authority, previous market conduct examinations and annual statements. These documents were reviewed for compliance with Illinois statutes and the Illinois Administrative Code. No exceptions were noted in this report.

Complaint Handling

The Company was requested to identify all consumer, Illinois Department of Insurance complaints and consumer complaints related to workers compensation, private passenger automobile and motorcycle as well as homeowners, condominium, dwelling fire, and the mobile home lines of business received during the period of March 1, 2020, to September 1, 2021. All complaint files were received. The files were reviewed for compliance with Illinois statutes and the Illinois Administrative Code. Exceptions are noted in this report.

Producer Licensing

New business was reviewed to determine if solicitations had been made by duly licensed persons.

Marketing and Sales

Documents pertaining to the marketing and sales of workers compensation, private passenger automobile and homeowners products were requested.

Policyholder Services

A review was conducted of the Company's new business, renewal, non-renewal, policy cancellations initiated by the Company as well as for non-payment of premium for compliance with Illinois statutes and Illinois Administrative Code. Exceptions are noted in this report.

Underwriting and Rating

A review was conducted of the Company's underwriting and rating practices to ensure that all mandated disclosures are in accordance with applicable statutes, rules, and regulations. The execution of its clients underwriting and practices are not unfairly discriminatory, and that pertinent information on applications that form a part of the policy and contract are complete and accurate. Exceptions are noted in this report.

Claims

A review was conducted of the Company's claims practices to ensure paid claim, private passenger auto and motorcycle total loss claims as well as denied and closed without payment claims were in compliance with policy contracts and 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. Admin. Code 2902 and 9110). Exceptions are noted in this report.

VI. SAMPLE SELECTION

Survey	Reviewed	% Reviewed
Workers Compensation - CLAIMS ANALYSIS		
Paid	83	17.66%
Denied Claims	14	63.60%
Denied Claims & Claims Closed without payment	79	84.04%
Workers Compensation - COMPLAINTS		
Consumer Complaints	4	100%
Department of Insurance Complaints	16	100%
Workers Compensation - POLICYHOLDER SERVICES		
New Business	113	10.42%
Renewal	248	3.40%
Cancellations (Company Initiated)	79	48.40%
Cancellations (Insured Requested & Non-Payment of Premium)	86	0.58%
Non-Renewal	79	81.40%
Producer Licensing	116	0.42%
Private Passenger Auto/Motorcycle - CLAIMS ANALYSIS		
Paid	106	0.80%
Total Loss (PPA/MC)	74	5.65%
Denied Claims	119	20%
Claims Closed without payment	105	25.30%
Private Passenger Auto/Motorcycle - COMPLAINTS		
Consumer Complaints	202	39.30%
Department of Insurance Complaints	281	27.70%
Private Passenger Auto/Motorcycle - POLICYHOLDER SERVICES		
New Business	115	2.48%
Renewal	116	0.20%
Non-Renewal	79	46.40%
Cancellations (Insured Requested & Non-Payment of Premium)	102	21.70%
Cancellations (Company Initiated)	106	22.50%
Producer Licensing	13	100%
Homeowners - CLAIMS ANALYSIS		
Paid	680	1.10%
Denied Claims	10	0.41%
Claims Closed without payment	92	68.10%
Homeowners - COMPLAINTS		
Consumer Complaints	3	100%
Department of Insurance Complaints	15	100%
Homeowners - POLICYHOLDER SERVICES		
New Business	169	38.50%
Renewal	357	0.70%
Non-Renewal	209	14.80%
Cancellations (Insured Requested & Non-Payment of Premium)	316	2.30%
Cancellations (Company Initiated)	249	61.60%
Producer Licensing	85	100%

VII. FINDINGS

A. Company Operations and Management

- There were no criticisms in the review of operations and management.

B. Complaint Handling

1. Department of Insurance Complaints

- Criticism #11 - In 1 instance of the 16 DOI complaint files reviewed, the Company refused to write a private passenger automobile insurance policy based on the applicant's previous carrier. This is a violation of 215 ILCS 5/155.27.

C. Producer Licensing

- There were no criticisms in the review of producer licensing.

D. Policyholder Services

- There were no criticisms in the review of producer services.

E. Marketing and Sales

- There were no criticisms in the review of marketing and sales.

F. Underwriting and Rating

1. New Business

- Criticism #13 - In 50 of the 115 workers compensation files reviewed, the Company failed to include the proper DOI addresses with new business documents. This is a violation of 215 ILCS 5/143c and 215 ILCS 5/143d.
- Criticism #22 - In 34 of the 85 mobile home files reviewed, the Company failed to include the proper DOI addresses with new business documents. This is a violation of 215 ILCS 5/143c and 215 ILCS 5/143d.

1. Renewals

- Criticism #5 - In 10 instances of the 14 workers compensation renewal files reviewed, the Company failed to send a +5% renewal premium increase letter to its policyholders. This is a violation of 215 ILCS 5/462a.
- Criticism #6 - In 1 instance of the 115 workers compensation renewal files reviewed, the Company failed to send a renewal premium increase letter to its policyholders. This is a violation of 215 ILCS 5/143.17a(b)(d).
- Criticism #21 - In 116 instances of the 116 private passenger automobile renewal files reviewed, the Company failed to include the DOI addresses on the Notice of Availability for Cancellation Letters. This is a violation of 215 ILCS 5/143c, 215 ILCS 5/143d.
- Criticism #22 - In 34 instances of the 85 mobile home renewal files reviewed, the Company failed to include the DOI addresses on the Notice of Availability for Cancellation Letters. This is a violation of 215 ILCS 5/143c, 215 ILCS 5/143d.

- Criticism #31 - In 122 of the 126 files reviewed by the examiners, the company did not include a Notice of Availability showing both the DOI address of Springfield, IL along with that of the Chicago, IL office. This is a violation of 215 ILCS 5/143c and 215 ILCS 5/143D.
- Criticism #32 - In 46 instances of the 94 condominium renewal files reviewed, the Company failed to include the DOI addresses on the Notice of Availability for Cancellation Letters. This is a violation of 215 ILCS 5/143c, 215 ILCS 5/143d.
- Criticism #46 - In 125 of the 125 files reviewed by the examiners, the company did not include a notice of availability showing any address on its new business and renewal forms. This is a violation of 215 ILCS 5/143c and 215 ILCS 5/143d.

2. Non-Renewals

- Criticism #2 - In 5 instances of the 79 workers compensation files reviewed, the Company failed to provide timely 60-day non-renewal notices. This is a violation of 215 ILCS 5/143.17.a. (a).
- Criticism #3 - In 3 of the 79 workers compensation files reviewed, the Company failed to provide the proof of mailing for non-renewal notices. This is a violation of 215 ILCS 5/143.17.a.(d).
- Criticism #4 - In 6 of the 79 workers compensation files reviewed, the Company failed to provide the non-renewal reason in their notices to policyholders.
- Criticism #9 - In 2 of the 79 private passenger automobile files reviewed, the Company failed to provide the non-renewal reason in their notices to policyholders.
- Criticism #10 - In 15 of the 79 private passenger automobile files reviewed, the Company failed to provide the proof of mailing for non-renewal notices. This is a violation of 215 ILCS 5/143.17.a.(d).
- Criticism #23 - In 5 of the 78 dwelling fire files reviewed, the Company failed to mail the non-renewal letter to their policyholders. This is a violation of 215 ILCS 5/143.14(a), 215 ILCS 5/143.15.

3. Company Initiated Cancellations

- Criticism #1 - In 19 instances of the 79 workers compensation cancellation files reviewed, the Company failed to include the DOI addresses on the Notice of Availability for Cancellation Letters. This is a violation of 215 ILCS 5/143c and 215 ILCS 5/143d.215 ILCS 5/143d.
- Criticism #14 - In 9 instances of the 102 private passenger automobile files reviewed, the Company failed to provide the proof of mailing when canceling policies. This is a violation of 215 ILCS 5/143.14 (a) and 215 ILCS 5/143.17a.(d).
- Criticism #17 - In 16 instances of the 86 private passenger automobile files reviewed, the Company failed to send cancellation letters to policyholders. This is a violation of 215 ILCS Section 143.14. (a) and Section 5/132 (2).
- Criticism #18 - In 8 instances of the 29 condominium files reviewed, the Company failed to provide the proof of mailing when canceling policies. This is a violation of 215 ILCS 5/143.14 (a) and 215 ILCS 5/143.17a.(d).
- Criticism #19 - In 5 instances of the 18 dwelling fire files reviewed, the Company failed to provide the proof of mailing when canceling policies. This is a violation of 215 ILCS 5/143.14 (a) and 215 ILCS 5/143.17a.(d).
- Criticism #47 - In 2 instances of the 95 homeowners files reviewed, the Company failed to provide the proof of mailing when canceling policies. This is a violation of 215 ILCS 5/143.14 (a) and 215 ILCS 5/143.17a.(d).
- Criticism #45 - In 15 instances of the 84 homeowners Company-initiated cancellations reviewed, the Company failed to notify insureds of their eligibility in the FAIR Plan. This is a violation of 215 ILCS 5/143.22.

4. Cancellations – Non-Payment of Premium & Policyholder Requested
 - Criticism #16 - In 8 of the 116 private passenger automobile files reviewed, the Company failed to mail a 10-day cancellation notice timely. This is a violation of 215 ILCS 5/143.15, 215 ILCS 5/143.14 (a) and 215 ILCS 5/143.17 (a).
 - Criticism #20 - In 80 instances of the 114 dwelling fire files reviewed, the Company failed to provide a cancellation notice to its policyholders when cancelling a policy. This is a violation of 215 ILCS 5/143.14(a).
 - Criticism #48 - In 2 instances of the 116 homeowners files reviewed, the Company failed to provide a proof of mailing when cancelling policies. This is a violation of 215 ILCS 5/143.14(a).

G. Claims

1. Paid Claims

- Criticism #28 - In 17 instances of the 106 private passenger automobile paid claim files reviewed, the Company failed to include the coverage type on the draft. This is a violation of 215 ILCS 5/154.6 (l).
- Criticisms #29, #37, #43 - In six instances of the 184 private passenger automobile paid claim files reviewed, the Company failed to offer payment of claim within 30 days of affirming liability. This is a violation of 50 Ill. Adm. Code 919.50 (a)(1).
- Criticism #57 - In 4 instances of the 115 dwelling fire paid claim files reviewed, the Company failed to offer payment of claim within 30 days of affirming liability. This is a violation of 50 Ill. Adm. Code 919.50 (a).
- Criticism #66 - In 1 instance of the 82 homeowners paid claim files reviewed, the Company failed to offer payment of claim within 30 days of affirming liability. This is a violation of 50 Ill. Adm. Code 919.50 (a).
- Criticism #30 - In 28 instances of the 106 private passenger automobile paid claim files reviewed, the Company failed to include the DOI addresses on Notice of Availability within the denial letter. This is a violation of 215 ILCS 5/143c and 215 ILCS 5/143D.
- Criticism #38 - In 32 instances of the 107 paid claims files reviewed, the Company failed to provide the insured with a written explanation for delay when the claim remained unresolved for 60 days. This is a violation of 50 Ill. Adm. Code 919.80 (b)(3).
- Criticism #54 - In 4 instances of the 106 paid claim files reviewed, the Company failed to send a reasonable written explanation of the basis of a lower offer. This is a violation of 50 Ill. Adm. Code 919.50 (a)(1).
- Criticism #50 - In 19 instances of the 89 mobile home claims reviewed, the Company failed to send first parties notifications when claims were unresolved within 75 days. This is a violation of 50 Ill. Adm. Code 919.80 (d)(7)(B).
- Criticism #58 - In 18 instances of the 115 dwelling fire claims reviewed, the Company failed to send first parties notifications when claims were unresolved within 75 days. This is a violation of 50 Ill. Adm. Code 919.80 (d)(7)(B).
- Criticism #65 - In 5 instances of the 82 homeowners claims reviewed, the Company failed to send first parties notifications when claims were unresolved within 75 days. This is a violation of 50 Ill. Adm. Code 919.80 (d)(7)(B).
- Criticism #51 - In 7 instances of the 89 paid mobile home claims reviewed, the Company failed to provide proper documentation for the depreciation of claims. This is a violation of Admin. Code 50, Section 919.30 (c).
- Criticism #55 - In 4 of the 115 dwelling fire claims reviewed, the Company failed to adopt and implement reasonable standards for the prompt investigations and settlement of claims arising under its policies. This is a violation of 215 ILCS 5/154.6 (a) & (c).

- Criticism #68 - In 3 of the 82 homeowners claims files reviewed, the Company failed to act in good faith to effectuate the prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear; this is a violation of 215 ILCS 5/154.6 (d).
 - Criticism #56 - In 64 of the 115 dwelling fire claims files reviewed, the examiner could not find identifiable means in which the depreciation amount could be verified. This is a violation of 50 Ill. Adm. Code 919.30 (c) and 50 Ill. Adm. Code 919.80 (d)(8)(A).
 - Criticism #64 - In 37 of the 82 homeowners claims, the examiner could not find identifiable means in which the depreciation amount could be verified. This is a violation of Sec. 154.6(c) and (d), 50 Ill. Adm. Code 919.30(c) and 50 Ill. Adm. Code 919.80 (d)(8)(A).
 - Criticism #67 - In 2 out of the 82 homeowners claims files reviewed, for an error ratio of 2.4%, the Company failed to include the coverage on the claims payment, as required by 215 ILCS 5/154.6 (l).
2. Total Loss (PPA/MC)
- Criticism #33 - In 22 instances of the 74 private passenger automobile total loss claims reviewed, the Company failed to provide the total loss exhibit A within 7 days. This is a violation of 50 Ill. Adm. Code 919.80 (c).
 - Criticism #34 - In 6 instances of the 31 private passenger automobile total loss claims reviewed, the Company failed to send claimants a 60-day notice when the total loss claim was unresolved. This is a violation of 50 Ill. Adm. Code 919.80 (b)(3).
 - Criticism #35 - In 15 instances of the 74 private passenger automobile total loss claims reviewed, the Company failed to include the coverage type on the draft. This is a violation of 215 ILCS 5/154.6 (l).
 - Criticism #36 - In 7 instances of the 74 total loss claims reviewed, the Company failed to send first parties 40-day letters when the claim was unresolved. This is a violation of 50 Ill. Adm. Code 919.80 (b)(2).
 - Criticism #53 - In 58 instances of the 74 paid claim files reviewed, the Company improperly applied the “in lieu of reimbursement procedure” when settling total loss claims. This is a violation of 919.80 (c)(3)(A)(i) and 215 ILCS 5/154.6(a).
 - Criticism #52 - In 1 instance of the 31 private passenger automobile claim files reviewed, the Company improperly used a property claim to influence the settlement of an injury claim. This is a violation of 215 ILCS 5/154.6 (a) and (r).
 - Criticism #63 - In 2 of the 74 private passenger automobile total loss files reviewed, the Company failed to properly apply condition adjustments to total loss vehicles. This is a violation of 50 Ill. Adm. Code 919.80 (c) (2) (B) (i).
3. Denied Claims & Closed Without Payment (“CWP”)
- Criticism #7 - In 4 instances out of the 14 workers compensation files reviewed, the Company failed to provide a claims denial letter when denying a claim. This is a violation of 215 ILCS 5/154.6 (n).
 - Criticism #12 - In 10 instances out of the 16 workers compensation files reviewed, the Company failed to include the address to be used for the Illinois Department of Insurance when denying workers compensation claims. This is a violation of 50 Ill. Adm. Code 931.40(a).
 - Criticism #15 - In 2 of the 14 private passenger automobile files reviewed, the Company failed to properly send notification letters to first parties in situations where claims were not resolved within 40 days. This is a violation of 50 Ill. Adm. Code 919.80 (b) (2).
 - Criticism #25 - In 1 instance of the 105 private passenger automobile CWP claim files reviewed, the Company failed to include the DOI addresses on the Notice of Availability for Cancellation Letters. This is a violation of 215 ILCS 5/143c, 215 ILCS 5/143d.

- Criticism #26 - In 57 instances of the 105 CWP claim files reviewed, the Company failed to mail a 40-day letter timely, when investigating claims. This is a violation of 50 Ill. Adm. Code 919.80 (b) (2).
- Criticism #27 - In 6 out of the 105 CWP claim files reviewed, the Company failed to adopt and implement reasonable standards for the prompt investigations and settlement of the claim. This is a violation of 215 ILCS 5/154.6 (c).
- Criticism #39 - In 1 instance of the 98 private passenger automobile CWP claims reviewed, the Company failed to document the basis for their liability decision to third-parties. This is a violation of 50 Ill. Adm. Code 919.30 (c).
- Criticism #44 - In 18 instances of the 71 private passenger automobile claims reviewed, the Company failed to provide a reasonable written explanation for the basis of a claims denial. This is a violation of 50 Ill. Adm. Code 215 5/154.6 (n) and Section 919.50 (a) (2).
- Criticism #40 - In 23 instances of the 98 CWP and denied claims reviewed, the Company failed to send a liability denial letter to claimant within 30 days. This is a violation of 50 Ill. Adm. Code 919.50 (a)(1) and 215 ILCS 5/154.6 (n).
- Criticism #61 - In 10 instances of the 87 dwelling fire denied claims reviewed, the Company failed to send a liability denial letter to claimant within 30 days. This is a violation of 50 Ill. Adm. Code 919.50 (a)(1).
- Criticism #41 - In 42 instances of the 98 CWP claims reviewed, the Company failed to send claimants a 60-day notice when claims were unresolved. This is a violation of 50 Ill. Adm. Code 919.80 (b)(3).
- Criticism #42 - In 23 instances of the 71 claims denied to third parties, the Company failed to send claimants 60-day notices when claims were unresolved. This is a violation of 919.80 (b) (3).
- Criticism #59 - In 2 instances of the 87 dwelling fire denied claim files reviewed, the Company failed to inspect damaged property prior to issuing the claim denial. This is a violation of 215 ILCS 5/154.6 (h).
- Criticism #60 - In 1 instance of the 87 dwelling fire denied claim files reviewed, the Company failed to clearly set forth the policy definition, limitation, exclusion, or condition upon which denial was based. This is a violation of 50 Ill. Adm. Code 919.50 (a)(1).
- Criticism #62 - In 18 instances of the 87 dwelling fire denied claim files reviewed, the Company failed to properly send notifications to the insured in situations where claims were not resolved within 75 days. This is a violation of 50 Ill. Adm. Code 919.80 (d)(7)(B).

EXAMINATION DRAFT REPORT SUBMISSION

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged and appreciated.

Lisa Crump,

Karina Ruthenberg,

Bradley Shoop,

Dudley Ewen

Tony J. Taylor

George Kalargyros, Examiner-in-Charge

Shelly Schuman, Supervisory Insurance Examiner

Respectfully submitted,

George Kalargyros

GEORGE KALARGYROS

EXAMINER-IN-CHARGE

Shelly Schuman

SHELLY SCHUMAN

SUPERVISORY INSURANCE EXAMINER

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

PEKIN INSURANCE COMPANY
2505 COURT STREET
PEKIN, IL. 61558

STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance (“Department”) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Pekin Insurance Company, (“the Company”), NAIC 24228, and Farmers Automobile Insurance Association, NAIC 24201, is 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 covering the examination period of March 1, 2020, to September 1, 2021, 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 include DOI addresses on Notice of Availability for Cancellation Letters. 215 ILCS 5/143c and 215 ILCS 5/143d.
2. Institute and maintain policies and procedures whereby the Company shall send a +5% renewal premium increase letter. 215 ILCS 5/462a and CB 2018-13.
3. Institute and maintain policies and procedures whereby the Company shall provide claims denial letter. 215 ILCS 5/154.6(n).
4. Institute and maintain policies and procedures whereby the Company shall provide non-renewal proof of mailings. 215 ILCS 5/143.17(a)(d).
5. Institute and maintain policies and procedures whereby the Company shall not refuse to write a policy based on previous carrier. 215 ILCS 5/155.27.
6. Institute and maintain policies and procedures whereby the Company shall include the address to be used for the Illinois Department of Insurance. 50 Ill. Adm. Code 931.40(a).
7. Institute and maintain policies and procedures whereby the Company shall include DOI addresses on Notice of Availability with New Business and renewal documents. 215 ILCS 5/143c and 215 ILCS 5/143d
8. Institute and maintain policies and procedures whereby the Company shall mail 40-day letter timely. 50 Ill. Adm. Code 919.80(b)(2)
9. Institute and maintain policies and procedures whereby the Company shall provide proof of mailing and cancelation notice. 215 ILCS 143.14(a) and 215 ILCS 5/132(2).
10. Institute and maintain policies and procedures whereby the Company shall include coverage on payment. 215 ILCS 5/154.6(l).
11. Institute and maintain policies and procedures whereby the Company shall offer payment of claim 30 days of affirming liability. 50 Ill. Adm. Code 919.80(a).

12. Institute and maintain policies and procedures whereby the Company shall include DOI addresses on Notice of Availability with denial letter. 215 ILCS 5/143c and 215 ILCS 5/143d.
13. Institute and maintain policies and procedures whereby the Company shall provide total loss exhibit A within 7 days. 50 Ill. Adm. Code 919.80(c).
14. Institute and maintain policies and procedures whereby the Company shall send claimants 60-day notice when claim unresolved. 50 Ill. Adm. Code 919.80(b)(3).
15. Institute and maintain policies and procedures whereby the Company shall send liability denial letter to claimant within 30 days. 50 Ill. Adm. Code 919.50(a)(1) and 215 ILCS 5/154.6(n).
16. Institute and maintain policies and procedures whereby the Company shall provide a reasonable written explanation for the basis of a claim's denial. 215 ILCS 5/154.6(n) and 50 Ill. Adm. Code 919.50(a)(2).
17. Institute and maintain policies and procedures whereby the Company shall notify insureds of their eligibility in the FAIR Plan. 215 ILCS 5/143.22.
18. Institute and maintain policies and procedures whereby the Company shall mail cancellation letter within 10 days. 215 ILCS 5/143.17(a).
19. Institute and maintain policies and procedures whereby the Company shall send notifications to the insured in situations where claims were not resolved within 75 days. 50 Ill. Adm. Code 919.80(d)(7)(B).
20. Institute and maintain policies and procedures whereby the Company shall provide proper documentation for the depreciation of claims. 50 Ill. Adm. Code 919.30(c), 50 Ill. Adm. Code 919.80(d)(8)(A), and Sec. 154.6(c) & (d).
21. Institute and maintain policies and procedures whereby the Company shall properly apply the "in lieu of reimbursement procedure" when settling total loss claim. 50 Ill. Adm. Code 919.80(c)(3)(A)(i) and 215 ILCS 5/154.6(a).
22. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above twenty-one (21) orders within thirty (30) days of execution of this Order.
23. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$165,000.⁰⁰ to be paid within ten (10) days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of PEKIN INSURANCE COMPANY and FARMERS AUTOMOBILE INSURANCE ASSOCIATION

Signature Joel Jackson

Name Joel Jackson

Title Chief Operating Officer

Subscribed and sworn to before me this 22 day of December 2023.

Notary Public Breanne Dorsey



DEPARTMENT OF INSURANCE of the State of Illinois:

DATE December 27, 2023

Dana Popish-Severinghaus
Dana Popish-Severinghaus
Director

