



Illinois Department of Insurance

JB Pritzker
Governor

Dana Popish Severinghaus
Acting Director

VIA ELECTRONIC MAIL

January 4, 2022

Mr. Stephen Cooper, President
c/o Brad McGuire
Accident Fund Insurance Company of America
200 N. Grand Avenue
Lansing, MI. 48933

Re: Accident Fund Insurance Company of America, NAIC 10166
Market Conduct Examination Report Closing Letter

Dear Mr. Cooper:

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

Erica Weyhenmeyer
Chief Market Conduct Examiner
Illinois Department of Insurance
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Springfield, IL 62767
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**ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION**

OF

ACCIDENT FUND INSURANCE COMPANY OF AMERICA INC.

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: March 9, 2021 – June 18, 2021

EXAMINATION OF: Accident Fund Insurance Company of America, NAIC 10166

LOCATION: 200 N. Grand Ave. Lansing MI. 48933

PERIOD COVERED: December 1, 2018 to December 1, 2020 and June 1, 2018 to December 1, 2020 for complaints.

EXAMINERS:

Karina Ruthenberg, MCM
Lisa Crump, CIE, AMCM, FLMI, ACS, ALHC, AIAA
Bradley Shoop, MCM
Donna Lee Williams, Esquire
Tony J. Taylor, DM, MBA, PMP, CSM, SA
George Kalargyros, MCM, LPCS, Examiner-in-Charge
Shelly Schuman, ACS, AIE, AMCM, CICSR, FLMI, HIA,
PAHM, Supervisory Insurance Examiner

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I. FOREWORD

This is a market conduct examination report of Accident Fund Insurance Company of America (the “Company”). This examination was conducted remotely, 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 (“IDOI” 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 THE EXAMINATION

The Department has the authority to conduct this examination pursuant 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. The primary period covered by this review is December 1, 2018 through December 1, 2020, and June 1, 2018 through December 1, 2020 for complaints, unless otherwise noted. Errors outside of this time period discovered during the examination, however, may also be included in the report.

The examination involved the following business functions and lines of business: Department of Insurance and consumer complaints, company operations and management, producer licensing, underwriting, and rating, and claims handling practices for the Company's workers compensation line of business.

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

TABLE OF TOTAL VIOLATIONS					
Criticism #	Statute/Rule	Description of Violation	Sample	# of Violations	Error %
001	215 ILCS 5/143.23	Cancellation and Nonrenewal Policies – Hearing Notice	117	117	100%
002	215 ILCS 5/143.14(a)	Failure to maintain proof of mailing for cancellations	117	19	16.23%
004	215 ILCS 5/143.16	Timely notice of cancellation	117	26	22.2%
005	215 ILCS 5/143.17a	Notice of intention not to renew	115	2	1.7%
007	215 ILCS 5/143.17a	Notice of nonrenewal – explanation of reasons	38	3	7.9%
008	215 ILCS 5/143.17a	Notice of nonrenewal – proof of mailing	38	4	10.5%
009	215 ILCS 5/143.17a & d	Notice of nonrenewal – 60-day requirement	38	4	10.5%

IV. BACKGROUND

Accident Fund Insurance Company of America was initially formed in 1912 as a State of Michigan workers compensation fund. It operated as a state entity until it was sold to Blue Cross Blue Shield of Michigan in 1994 and operates today as a stock insurance company domiciled in Michigan. In 2005, the Company acquired United Wisconsin Insurance Company, domiciled in Wisconsin, and created Accident Fund National Insurance Company and Accident Fund General Insurance Company, both domiciled in Michigan. In 2007, Third Coast Insurance Company, domiciled in Wisconsin and CompWest Insurance Company, domiciled in California were acquired. All subsidiary companies are directly owned by Accident Fund Insurance Company of America. The group is broadly licensed across all 50 states and the District of Columbia in Property & Casualty lines. The core of its business is workers' compensation insurance.

V. METHODOLOGY

The market conduct examination covered business for the period of December 1, 2018 to December 1, 2020 and June 1, 2018 to December 1, 2020 for complaints. Specifically, the examination focused on a review of the following areas:

- a. Department of Insurance and Consumer Complaints
- b. Company Operations and Management
- c. Producer Licensing
- d. Marketing and Sales
- e. Underwriting and Rating
- f. 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 in the report. The following methods were used to obtain the required samples and to assure a methodical selection:

Department and Consumer Complaints

The Department requested the Company provide all files relating to workers compensation complaints received via the Department and those received directly from consumers.

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 products were requested.

Underwriting and Rating

The underwriting of applicants for both voluntary and involuntary workers compensation coverage was selected based on inception date of the policy falling within the period of the examination. Policies were reviewed for rating accuracy, use of filed rates, and use of filed forms, for compliance with Company and NCCI underwriting guidelines.

Cancellation and non-renewals of policyholders were requested based on the effective date of the transaction falling within the examination period. Cancellation and non-renewals were reviewed for their compliance with statutory requirements, the accuracy of reason given, NCCI rules (for involuntary business), and for any possible discrimination. *The Company indicated that there were no non-renewal policies for the involuntary business.*

Claims

All claims were reviewed for 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).

VI. SAMPLE SELECTION

Survey	Reviewed	% Reviewed
CLAIMS ANALYSIS		
Paid Claims	184	3.7%
Denied Claims	85	32%
Claims Closed without Payment	97	21%
COMPLAINTS		
Consumer Complaints	0	NA
Department of Insurance Complaints	3	100%
UNDERWRITING AND RATING		
New Business	224	2.9%
Renewal Business	230	1.5%
Non-Renewal Business	38	97.4%
Rating (New Business & Renewal Business)	50	.02%
Cancelations	226	22.4%

VII. FINDINGS

- a. Complaints
 1. Consumer Complaints
 - a. There were no consumer complaints during the experience period.
- b. Producer Licensing
 1. There were 101 files reviewed. No issues were noted with documents provided.
- c. Marketing and Sales
 1. The company does not market to consumers. No issues were noted with documents provided.
- d. Underwriting and Rating
 1. New Business – Voluntary and Involuntary
 - a. There were 224 files reviewed. No exceptions were noted.
 2. Renewals – Voluntary and Involuntary
 - b. In two files out of 115 reviewed, for an error rate of 1%, the Company failed to provide a 60-day notice when the renewal premium charged was more than 30% as required by 215 ILCS 5/143.17a.
 3. Nonrenewal – Voluntary
 - a. In three files out of 38 reviewed, for an error rate of 7.9%, the Company failed to provide a specific explanation as to the reasons for nonrenewal per 215 ILCS 5/143.17a.
 - b. In four files out of 38 reviewed, for an error rate of 10.5%, the Company failed to provide proof of mailings as required by 215 ILCS 5/143.17a & d.
 - c. In four files out of 38 reviewed, for an error rate of 10.5%, the Company failed to provide the 60-day notice requirement by providing proof of mailings. This is a violation of 215 ILCS 5/143.17a.
 4. Rating – Voluntary and Involuntary (New Business & Renewals)
 - a. There were 50 files reviewed. No exceptions were noted.
 5. Canceled – Voluntary
 - a. There were 113 files reviewed. No exceptions were noted.
 6. Canceled - Involuntary
 - a. In 117 files out of the 117 reviewed for an error rate of 100%, the Company failed to provide cancellation notices that contain the appropriate language regarding the named insureds right to appeal and the procedures in which to follow. This is a violation of 215 ILCS 5/143.23.
 - b. In 19 files out of 117 reviewed for an error rate of 16.23%, the Company failed to provide evidence that the Company retained proof of mailings which is a violation of 215 ILCS 5/143.14.
 - c. In 26 files out of 117 reviewed, for an error rate of 22.2%, the Company did not provide evidence that timely notice of cancellation was given, which is a violation of 215 ILCS 5/143.16.
- e. Claims
 1. Paid Claims – Voluntary and Involuntary
 - a. There were 184 files reviewed. No exceptions were noted.
 2. Closed Claims – Voluntary and Involuntary
 - a. There were 85 files reviewed. No exceptions were noted.
 3. Claims Closed Without Payment – Voluntary and Involuntary
 - a. There were 97 files reviewed. No exceptions were noted.

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

ACCIDENT FUND INSURANCE COMPANY OF AMERICA
200 N. GRAND AVENUE
LANSING, MI. 48933

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, Accident Fund Insurance Company of America (“the Company”), NAIC 10166, 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 June 1, 2018 to December 1, 2020, which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability, or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall provide cancellation notices that contain the appropriate language regarding the named insureds right to appeal and the procedures to follow. 215 ILCS 5/143.23
2. Institute and maintain policies and procedures whereby the Company shall provide evidence that the Company retained proof of mailings. 215 ILCS 5/143.14(a)
3. Institute and maintain policies and procedures whereby the Company shall provide evidence that timely notice of cancellation was given. 215 ILCS 5/143.16
4. Institute and maintain policies and procedures whereby the Company shall provide 60-day notice prior to the expiration date of the current policy. 215 ILCS 5/143.17a
5. Institute and maintain policies and procedures whereby the Company shall provide proof of mailings. 215 ILCS 5/143.17a & d
6. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above five (5) orders within thirty (30) days of execution of this Order.
7. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$45,250.00 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 ACCIDENT FUND INSURANCE COMPANY OF AMERICA



Signature

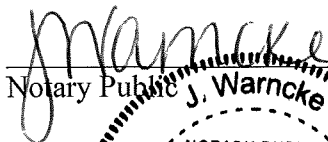
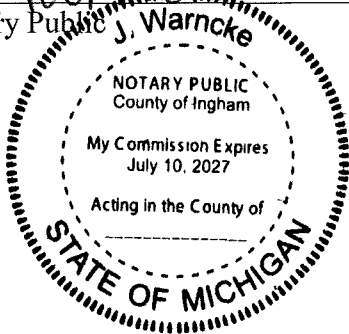
Steve Cooper

Name

President

Title

Subscribed and sworn to before me this
02 day of December 2021.


Notary Public J. Warncke

DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE _____

Dana Popish Severinghaus Digitally signed by Dana Popish Severinghaus
Date: 2021.12.03 08:47:42 -06'00'

Dana Popish-Severinghaus
Acting Director

