



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

January 6, 2017

Jack C. Salzwedel
President
American Family Mutual Insurance Company
6000 American Parkway
Madison, WI 53783-0001

William B. Westrate
President
American Standard Insurance Company of Wisconsin
6000 American Parkway
Madison, WI 53783-0001

Re: American Family Mutual Insurance Company, NAIC 19275
American Standard Insurance Company of Wisconsin, NAIC 19283
Market Conduct Examination Report Closing Letter

Dear Mr. Salzwedel and Mr. Westrate:

The Department has reviewed your Companies' proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Engle".

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
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Springfield, IL 62767
217-558-1058
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**AMERICAN FAMILY MUTUAL INSURANCE COMPANY
AMERICAN STANDARD INSURANCE COMPANY OF WISCONSIN**

MARKET CONDUCT EXAMINATION

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: May 26, 2015 through November 30, 2015

EXAMINATION OF: American Family Mutual Insurance Company
NAIC #19275

American Standard Insurance Company of Wisconsin
NAIC #19283

LOCATION: 6000 American Parkway
Madison, Wisconsin 53783

PERIOD COVERED BY EXAMINATION: December 1, 2013 through November 30, 2014
(Complaints August 1, 2013 through November 30, 2014)

EXAMINERS: Timothy R. Nutt, Examiner-in-Charge
Larry Nelson, Examiner
Nicole Richards, Examiner
John Watts, Examiner
Doug Befort, Senior Examiner
Tim Kelley, Senior Examiner
Victor Negron, Senior Examiner
Wayne Stephens, Senior Examiner
Parker Stevens, Senior Examiner
Stephen Zellich, Senior Examiner

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I. SUMMARY

A comprehensive market conduct examination of American Family Mutual Insurance Company (AFMIC) and American Standard Insurance Company of Wisconsin (ASIC) was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

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

TABLE OF TOTAL VIOLATIONS						
American Family Mutual Insurance Company						
Crit #	Statute/ Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
1	215 ILCS 5/155.17	Operations and Management: One rating territory does not have the same bodily injury rating factors as the other 15 territories in the city of Chicago, thereby creating different rates within that territory.	n/a	n/a	1	n/a
2	215 ILCS 5/143.16a	Risk Selection: PPA Cancellations - Policies cancelled after 60 days without valid reason.	83,138	163	2	1%
5	215 ILCS 5/143.15	Risk Selection: HO Cancellations - Reasons for cancellation were not specific.	27,043	97	2	2%
6	50 Ill. Adm. Code 919.80(d)(7)(B)	Claims: Other Residential Paid - No written explanation for delays at 75 calendar days.	267	38	2	5%
7	50 Ill. Adm. Code 919.50(a)(1)	Claims: Other Residential Paid - No written explanation indicating why claim was settled at amount less than claimed.	267	38	1	3%
13&14	215 ILCS 5/462b	Underwriting: Workers' Comp NB - Incorrect classification used.	187	79	2	3%
15	50 Ill. Adm. Code 919.50(a)(1)	Claims: HO CWP - No Notice of Availability of DOI.	5,197	39	1	3%
16	50 Ill. Adm. Code 919.80(d)(7)(B)	Claims: HO CWP - No written explanation for delay at 75 calendar days.	5,197	39	1	3%
17	215 ILCS 5/143.17a	Complaints: Non-DOI Complaints - Reason for nonrenewal not specific.	665	113	1	1%
18	215 ILCS 5/143d(b)	Complaints: Non-DOI Complaints - No timely response to consumer.	665	113	1	1%
20	215 ILCS 5/143.12a(b)	Complaints: Non-DOI Complaints - No timely refund of premium.	665	113	1	1%
21	50 Ill. Adm. Code 919.50(a)(1)	Claims: PPA 1 st Party CWP - No written explanation of why claim was settled at amount less than claimed.	7,938	24	1	4%
23	215 ILCS 5/462b	Underwriting: Workers' Comp Renewals - Premium for officer not charged.	728	113	1	1%

TABLE OF TOTAL VIOLATIONS

American Family Mutual Insurance Company

Crit #	Statute/ Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
24	50 Ill. Adm. Code 919.80(d)(7)(B)	Complaints: Non-DOI Complaints - No written explanation for delay at 75 calendar days.	665	113	1	1%
27	215 ILCS 5/132(2)	Underwriting: Workers' Comp Renewals - Documentation-incorrect or missing audits.	728	113	8	7%
30	215 ILCS 5/462b	Underwriting: Workers' Comp Renewals - Incorrect classification of business.	728	113	1	1%
32	50 Ill. Adm. Code 919.50(a)(1)	Claims: PPA 1 st Party Paid - No written explanation as to why settled for less than amount claimed.	40,128	116	1	1%
33	50 Ill. Adm. Code 754.10(b)(2)	Underwriting: PPA Renewals - Use of incorrect rate.	1,036,360	184	1	.5%
34	50 Ill. Adm. Code 919.50(a)	Claims: Other Personal Line Claims Paid - 1 st Party claim - No timely settlement of claim.	297	42	1	2%
35	215 ILCS 5/143.17a(a)	Risk Selection: Misc. Nonrenewals - Missing proof of mailing.	244	8	1	13%
36	50 Ill. Adm. Code 919.50(a)(1)	Claims: Other Personal Line 1 st Party CWP - Late denial letter - Notice of Availability of DOI not in letter.	66	9	1	11%
37	50 Ill. Adm. Code 919.80(b)(2)	Claims: PPA Total Loss Paid - No written explanation for claim delay.	1,553	102	1	1%
38	50 Ill. Adm. Code 919.80(c)	Claims: PPA Total Loss Paid - No Exhibit A for total losses.	1,553	102	9	9%
40	215 ILCS 5/143.17a(a)	Risk Selection: HO Nonrenewals - Missing proof of mailing.	1,863	65	1	2%
41	50 Ill. Adm. Code 919.50(a)	Claims: Other Comm. Paid - No timely settlement of claim.	2,342	54	1	2%
42	50 Ill. Adm. Code 919.50(a)(1)	Claims: Other Comm. CWP - Claim denial letter not sent within 30 days.	2,433	54	2	4%
43	50 Ill. Adm. Code 919.50(a)(1)	Claims: Other Comm. CWP - Notice of the availability of DOI did not comply.	2433	54	4	9%
44	215 ILCS 5/500-85	Producer Review: Producer Terminations - No notice of terminating agent for cause.	66	66	1	2%
45	215 ILCS 5/143.16a	Risk Selection: Comm. Cancellations - No valid reason for cancellation.	6,424	94	1	1%
46	215 ILCS 5/143.17a	Risk Selection: Other Comm. Nonrenewals - No valid reason for nonrenewal.	542	94	3	3%
49	215 ILCS 5/143a-2(2)	Underwriting: Personal Umbrella NB - Missing signed UM/UIM waiver.	2,331	51	8	16%
52	50 Ill. Adm. Code 919.50(a)	Claims: Comm. Auto 3 rd Party CWP - Failure to promptly investigate and notify third-party claimant of denial of claim.	206	15	1	7%

TABLE OF TOTAL VIOLATIONS

American Family Mutual Insurance Company

Crit #	Statute/ Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
53	215 ILCS 5/143.14	Risk Selection: Other Comm. Cancellations - Missing proof of mailings.	6,424	94	7	7%
54	215 ILCS 5/143.17a(a)	Risk Selection: Other Comm. Nonrenewals - Missing proof of mailings.	542	94	3	3%
55	820 ILCS 305/19(o)	Claims: Workers' Comp Paid - No statutorily required monthly reporting.	236	55	35	64%

TABLE OF TOTAL VIOLATIONS

American Standard Insurance Company of Wisconsin

Crit #	Statute/ Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
1	215 ILCS 5/155.17	Operations and Management: One rating territory does not have the same bodily injury rating factors as the other 15 territories in the city of Chicago, thereby creating different rates within that territory.	n/a	n/a	1	n/a
4	50 Ill. Adm. Code 919.80(c)	Claims: Total Loss Paid - No Exhibit A information provided for total losses.	78	5	4	80%
5	50 Ill. Adm. Code 919.50(a)(1)	Claims: Motorcycle 1 st Party CWP - No denial letter sent.	25	10	1	10%

II. BACKGROUND

American Family Mutual Insurance Company

American Family Mutual Insurance Company (AFMIC) was formed as Farmers Mutual Insurance Company on May 18, 1927, and commenced business on October 3, 1927, in Madison, Wisconsin. The Company originally only insured automobiles of farmers, but expanded their charter in 1950 to permit multiple line underwriting. The Company adopted the current title March 5, 1960. The Company received a license to conduct business in the State of Illinois in 1952, where it markets personal and commercial lines property and casualty insurance.

American Standard Insurance Company of Wisconsin

American Standard Insurance Company of Wisconsin (ASIC) was formed on April 5, 1961, under the laws of the State of Wisconsin and commenced business on September 28, 1961. The words “of Wisconsin” were added to the name on June 8, 1962. The Company received a license to conduct business in the State of Illinois in 1963, where it markets personal lines property and casualty insurance.

American Family Mutual Insurance Company and American Standard Insurance Company of Wisconsin (“the Companies”) have their corporate home offices located at 6000 American Parkway, Madison, Wisconsin 53783.

The Companies market their products through direct agents.

The Companies’ 2013 and 2014 NAIC Annual Statements (Page 19 Illinois) reflect the following:

Year	Company	Business Line	Direct Premium Written	Direct Premium Earned	Direct Losses Paid	Direct Losses Incurred
2014	AFMIC	Fire	\$5,326,898	\$5,738,561	\$2,842,633	\$2,717,546
2014	AFMIC	Allied Lines	\$5,146,726	\$5,432,504	\$3,860,559	\$3,745,092
2014	AFMIC	Homeowners (multi-peril)	\$1,688,005,063	\$1,652,547,490	\$970,968,056	\$943,177,169
2014	AFMIC	Farm (multi-peril)	\$112,526,268	\$109,418,470	\$59,849,422	\$65,283,120
2014	AFMIC	Commercial (multi-peril - non-liability portion)	\$271,987,736	\$261,330,690	\$270,372,389	\$268,537,201
2014	AFMIC	Commercial (multi-peril - liability portion)	\$146,961,668	\$143,631,780	\$40,188,489	\$40,733,696
2014	AFMIC	Inland Marine	\$2,871,787	\$2,698,213	\$886,251	\$850,571
2014	AFMIC	Workers' Compensation	\$51,814,543	\$51,676,047	\$29,809,209	\$36,627,387
2014	AFMIC	Private Passenger Auto no-fault (PIP)	\$99,609,618	\$101,086,499	\$47,674,923	\$45,473,393
2014	AFMIC	Other Private Passenger Auto Liability	\$1,425,800,256	\$1,419,045,767	\$949,368,898	\$983,754,990
2014	AFMIC	Private Passenger Auto Physical Damage	\$22,284,913	\$21,806,023	\$11,799,481	\$12,219,430
2014	AFMIC	Comm. Auto no-fault (PIP)	\$364,599	\$359,528	\$402,085	\$281,517
2014	AFMIC	Other Comm. Auto Liability	\$35,790,951	\$34,800,435	\$23,418,063	\$31,171,108
2014	AFMIC	Comm. Auto Physical Damage	\$22,284,913	\$21,806,023	\$11,799,481	\$12,219,430

Year	Company	Business Line	Direct Premium Written	Direct Premium Earned	Direct Losses Paid	Direct Losses Incurred
2014	ASIC	Private Passenger Auto no-fault (PIP)	\$9,500,536	\$9,659,720	\$4,505,438	\$4,466,598
2014	ASIC	Other Private Passenger Auto Liability	\$155,018,365	\$155,293,998	\$117,794,479	\$121,684,559
2014	ASIC	Private Passenger Auto Physical Damage	\$85,037,951	\$85,151,617	\$51,288,775	\$51,443,738
2014	ASIC	Other Comm. Auto Liability	\$292	\$292	\$0	\$0
2014	ASIC	Comm. Auto Physical Damage	\$77,531	\$78,177	\$26,905	\$26,905
2013	AFMIC	Fire	\$6,070,866	\$5,959,537	\$3,228,303	\$3,442,526
2013	AFMIC	Allied Lines	\$5,675,409	\$5,594,622	\$3,297,363	\$3,274,253
2013	AFMIC	Homeowners (multi-peril)	\$1,609,365,207	\$1,564,560,346	\$853,926,689	\$881,809,833
2013	AFMIC	Farm (multi-peril)	\$105,805,780	\$102,292,994	\$47,618,551	\$46,584,819
2013	AFMIC	Commercial (multi-peril - non-liability portion)	\$252,232,890	\$243,200,750	\$206,494,800	\$234,325,051
2013	AFMIC	Commercial (multi-peril - liability portion)	\$138,846,916	\$135,981,563	\$51,887,245	\$23,764,941
2013	AFMIC	Inland Marine	\$2,392,197	\$2,367,929	\$960,440	\$981,302
2013	AFMIC	Workers' Compensation	\$48,594,307	\$47,089,848	\$31,582,137	\$16,205,382
2013	AFMIC	Private Passenger Auto no-fault (PIP)	\$103,221,386	\$103,055,713	\$51,050,102	\$48,864,780
2013	AFMIC	Other Private Passenger Auto Liability	\$1,415,105,018	\$1,402,794,062	\$980,116,850	\$1,036,264,606
2013	AFMIC	Private Passenger Auto Physical Damage	\$1,183,259,525	\$1,173,649,439	\$672,583,296	\$667,955,552
2013	AFMIC	Comm. Auto no-fault (PIP)	\$355,998	\$350,113	\$351,005	\$459,394
2013	AFMIC	Other Comm. Auto Liability	\$33,800,589	\$33,106,934	\$23,810,963	\$19,573,094
2013	AFMIC	Comm. Auto Physical Damage	\$21,351,601	\$21,063,229	\$10,207,865	\$9,828,808
2013	ASIC	Private Passenger Auto no-fault (PIP)	\$10,176,838	\$10,221,118	\$5,125,509	\$5,290,222
2013	ASIC	Other Private Passenger Auto Liability	\$155,757,986	\$155,673,149	\$113,320,446	\$116,013,778
2013	ASIC	Private Passenger Auto Physical Damage	\$86,275,603	\$86,673,741	\$49,867,118	\$50,424,804
2013	ASIC	Other Comm. Auto Liability	\$292	\$290	\$0	\$0
2013	ASIC	Comm. Auto Physical Damage	\$80,926	\$87,725	\$23,512	\$23,512

III. METHODOLOGY

The Market Conduct Examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The period under review was generally December 1, 2013 through November 30, 2014. The following categories were the general areas examined:

- A. Operations and Management
- B. Complaint Handling
- C. Marketing and Sales
- D. Producer Review
- E. Risk Selection
- F. Underwriting and Rating
- G. Claims
- H. Statutorily Required Reporting

The review of these categories was accomplished through examination of individual policy and claim files, Company procedures, written interrogatories and interviews with Company personnel. Each of these categories was examined for compliance with Illinois Department of Insurance rules and regulations, and applicable state laws.

Criticisms were provided to the Company addressing violations discovered in the review processes. All valid criticisms were incorporated in this report.

The following methods were used to obtain the required samples and to assure a statistically accurate and methodical selection. The samples were developed from Company-generated data. The sample size was based on the most recent NAIC *Market Regulation Handbook*. Random samples were generated using Audit Command Language (ACL) software and the selected samples were provided to the Company for retrieval.

Operations and Management

The review of the Company's operations and management is designed to determine how the Company operates. Examiners reviewed both publically available documents, such as prior market conduct examinations and annual statements, as well as internal documents such as Company procedures and internal audit reports.

Complaint Handling

Illinois Department of Insurance Complaints and direct consumer complaints for the period August 1, 2013 through November 30, 2014, were reviewed for compliance with applicable state laws and Company guidelines.

Illinois Department of Insurance (DOI) Complaints – The population request for this category consisted of complaints received from the Illinois Department during the experience period. The Companies' complaint log was reconciled with the individual file information and the DOI records to determine the completeness and accuracy of the data recorded. Each complaint file,

along with the underlying claim or underwriting file was reviewed for compliance with regulatory requirements.

Consumer (Non-DOI) Complaints – The population request for this category consisted of complaints received directly from consumers during the experience period. The Companies' complaint log was reconciled with the individual file information to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Marketing and Sales

The Marketing and Sales portion of the examination is designed to evaluate the representations made by the Company about its products or services. The items requested for this category consisted of all sales, advertising, producer training and producer communications created during the examination period. This portion is not typically based on sampling techniques. This review was based on a judgmental sample.

Producer Review

Producer terminations and licensing were reviewed for compliance with statutory requirements.

Risk Selection

Cancellations and nonrenewals were reviewed for compliance with statutory requirements and to ensure reasons for termination were valid and not unfairly discriminatory. Samples were selected based on transactions occurring during the period under examination.

Underwriting and Rating

The underwriting sample consisted of new and renewal business and was selected based on the inception and renewal date occurring during the period under examination. Policies were reviewed for rating accuracy, use of filed rates, use of filed forms, and compliance with Company underwriting guidelines.

Claims

Claims were selected based on settlement occurring within the period under examination. Claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1, *et seq.*), the Illinois Workers' Compensation Act (820 ILCS 305/1, *et seq.*) and Department regulations (50 Ill. Adm. Code 101 *et seq.*). Reviews were conducted of both claims paid and those closed without payment (CWP).

Statutorily Required Reporting

The accuracy and completeness of the unit statistical information reported to the Company's advisory organization was tested.

SELECTION OF SAMPLES

American Family Mutual Insurance Company

		<u>Total Files</u>	<u># Reviewed</u>	<u>% Reviewed</u>
A.	Operations and Management			
1.	Third-Party Admin. Review	64	37	57.8%
B.	Complaint Handling			
1.	DOI Complaints	212	84	39.6%
2.	Consumer (Non-DOI) Complaints	665	113	17.0%
C.	Marketing and Sales			
1.	Marketing and Sales	100,453	114	0.1%
D.	Producer Review			
1.	Producer Licensing	1,059	114	10.8%
2.	Producer Terminations	66	66	100.0%
3.	Producer Training Materials	271	27	10.0%
4.	New Business Producer Licensing	22,406	116	0.5%
5.	Communications – Producers	71	71	100.0%
E.	Risk Selection			
1.	Misc. Cancellations	3,307	15	0.5%
2.	Auto Nonrenewals	1,194	42	3.5%
3.	Other Comm. Cancellations	6,424	94	1.5%
4.	HO Nonrenewals	1,863	65	3.5%
5.	HO Cancellations	27,043	97	0.4%
6.	Misc. Nonrenewals	244	8	3.3%
7.	Auto Cancellations	83,138	163	0.2%
8.	Comm. Nonrenewals	165	30	18.2%
9.	Comm. Cancellations	1,513	123	8.1%
10.	Rescissions	4	4	100.0%
11.	Workers' Comp Nonrenewals	542	19	3.5%
12.	Workers' Comp Cancellations	6,424	15	0.2%
13.	Other Comm. Nonrenewals	542	94	17.3%
F.	Underwriting and Rating			
1.	Auto New Business	68,051	184	0.3%
2.	Personal Umbrella New Business	2,331	51	2.2%
3.	Property New Business	22,406	116	0.5%
4.	Miscellaneous New Business	5,373	116	2.2%
5.	Auto Renewals	1,036,360	184	<.1%
6.	Comm. Auto New Business	551	113	20.5%
7.	Comm. Umbrella	2,043	4	<.1%
8.	Dwelling Renewals	1,000	2	<.2%
9.	HO Misc. Renewals	160	14	8.8%
10.	HO Renters Renewals	160	24	15.0%
11.	Comm. Auto Renewals	2,139	115	5.4%
12.	Misc. Commercial Lines Renewals	4,959	115	2.3%

13. Boatowners New Business	927	20	2.2%
14. Boatowners Renewals	16,298	40	0.2%
15. Personal Umbrella Renewals	41,831	105	0.3%
16. HO Renewals	160	116	72.5%
17. Other Comm. Renewals	24,185	114	0.5%
18. Workers' Comp New Bus	187	79	42.2%
19. Workers' Comp Renewals	728	113	15.5%

G. Claims

1. Auto 3rd-party Paid	995	30	3.0%
2. Auto 3rd-party CWP	1,526	4	<.1%
3. All other 1st-party Paid	297	42	14.1%
4. All other lines 1st-party Paid	66	9	13.6%
5. Comm. Auto 1st-party Paid	400	29	7.3%
6. Comm. Auto 1st-party CWP	175	13	7.4%
7. Comm. 3rd-party Paid	570	42	7.4%
8. Comm. Auto 3rd-party CWP	206	15	7.3%
9. All other Comm. 1st-party Paid	2,342	54	2.3%
10. Homeowners CWP	5,197	39	0.7%
11. Homeowners Paid	9,133	70	0.8%
12. Other Residential CWP	113	16	14.2%
13. Other Residential Paid	267	38	14.2%
14. Auto 1st-party CWP	7,938	24	0.3%
15. Auto Subrogation	1,245	105	8.4%
16. Workers' Compensation CWP	236	55	23.3%
17. All Other Comm. CWP	114	27	23.7%
18. Auto 1st-party Paid	40,128	116	0.3%
19. Auto Total Losses Paid	1553	102	6.6%
20. Workers' Comp Paid	236	55	23.3%

American Standard Insurance Company of Wisconsin

	<u>Total Files</u>	<u># Reviewed</u>	<u>% Reviewed</u>
A. Operations and Management			
1. TPA Agreements Review	64	37	57.8%
B. Complaint Handling			
1. DOI Complaints	7	7	100.0%
2. Non-DOI (Consumer) Complaints	11	11	100.0%
C. Marketing and Sales			
1. Marketing and Sales	100,453	114	0.1%
D. Producer Review			
1. Producer Licensing	1,059	114	10.8%
2. Producer Terminations	66	66	100.0%
3. Producer Training Materials	271	27	10.0%
4. Communications – Producers	71	71	100.0%

E.	Risk Selection			
	1. Auto Cancellations	8,014	88	1.1%
	2. Auto Nonrenewal	61	61	100.0%
	3. Misc. Cancellations	3,573	38	1.1%
	4. Misc. Nonrenewals	20	20	100.0%
F.	Underwriting and Rating			
	1. Auto and Misc. New Business	12,226	115	0.9%
	2. Auto Renewals	59,037	184	0.3%
G.	Claims			
	1. Auto 3rd-party Paid	556	2	0.4%
	2. Auto 3rd-party CWP	88	2	2.3%
	3. Auto 1st-party Paid	1,251	4	0.3%
	4. Motorcycle 1st-party Paid	115	47	40.9%
	5. Auto 1st-party CWP	246	2	0.8%
	6. Motorcycle 1st-party CWP	25	10	40.0%
	7. Motorcycle 3rd-party Paid	10	4	40.0%
	8. Motorcycle 3rd-party CWP	2	1	50.0%
	9. Misc. Auto CWP Subrogation	8	3	37.5%
	10. Misc. Auto Paid Total Loss	26	11	42.3%
	11. Auto Subrogation	27	2	7.4%
	12. Auto Total Losses	78	5	6.4%

IV. FINDINGS

A. Operations and Management

1. Territory and Plan

For both Companies, one (1) rating territory did not have the same bodily injury rating factors as the other fifteen territories in the city of Chicago thereby creating different rates within that territory. This is a violation of 215 ILCS 5/155.17. Criticisms were issued to AFMIC and ASIC.

B. Complaint Handling

1. Illinois Department of Insurance Complaints

No violations were noted.

2. Consumer (Non-Illinois Department of Insurance) Complaints

In one (1) complaint, the Company failed to provide an explanation of the reason for nonrenewal as required by 215 ILCS 5/143.17a. A criticism was issued to AFMIC.

In one (1) complaint, the Company failed to provide a reasonable written explanation for delay on a claim that was unresolved after 75 days. This was in violation of 50 Ill. Adm. Code 919.80(d)(7)(B). A criticism was issued to AFMIC.

In one (1) complaint, the Company failed to respond to complaint correspondence within 21 days as required by 215 ILCS 5/143d(b). A criticism was issued to AFMIC.

In one (1) complaint, the Company failed to refund unearned premium within 30 days as required by 215 ILCS 5/143.12a(b). A criticism was issued to AFMIC.

C. Marketing and Sales

No violations were noted.

D. Producer Review

1. Producer Licensing

No violations were noted.

2. Producer Terminations

In one (1) producer termination for cause, the Company failed to notify the Illinois Department of Insurance as required by 215 ILCS 5/500-85. A criticism was issued to AFMIC.

E. Risk Selection

1. Private Passenger Automobile Cancellations

Two (2) policies were cancelled for a reason that was not valid according to 215 ILCS 5/143.16a. A criticism was issued to AFMIC.

2. Private Passenger Automobile Nonrenewal

No violations were noted.

3. Homeowners Cancellations

Two (2) cancellations contained a reason for cancellation that was not specific as required by 215 ILCS 5/143.15. A criticism was issued to AFMIC.

4. Homeowners Nonrenewals

One (1) nonrenewal failed to contain proof of mailing of nonrenewal notice as required by 215 ILCS 5/143.17a(a). A criticism was issued to AFMIC.

5. Commercial Automobile Cancellations

No violations were noted.

6. Commercial Automobile Nonrenewals

No violations were noted.

7. Other Commercial Cancellations

One (1) policy was cancelled for a reason that was not valid according to 215 ILCS 5/143.16a. A criticism was issued to AFMIC.

Seven (7) files failed to contain proof of mailing of cancellation notice as required by 215 ILCS 5/143.14. A criticism was issued to AFMIC.

8. Other Commercial Nonrenewals

Three (3) files failed to provide an explanation of the reason for nonrenewal as required by 215 ILCS 5/143.17a. A criticism was issued to AFMIC.

Three (3) files failed to contain proof of mailing of nonrenewal notice as required by 215 ILCS 5/143.17a(a). A criticism was issued to AFMIC.

9. Miscellaneous Coverage Cancellations

No violations were noted.

10. Miscellaneous Coverage Nonrenewals

One (1) file failed to contain proof of mailing of nonrenewal notice as required by 215 ILCS 5/143.17a(a). A criticism was issued to AFMIC.

11. Workers' Compensation Cancellations

No violations were noted.

12. Workers' Compensation Nonrenewals

No violations were noted.

13. Rescissions

No violations were noted.

F. Underwriting and Rating

1. Automobile – New Business

No violations were noted.

2. Automobile – Renewals

One (1) policy did not apply correct rates in premium calculation as required by 50 Adm. Code 754.10(b)(2). This resulted in an undercharge of \$12. A criticism was issued to AFMIC.

3. Homeowner – New Business

No violations were noted.

4. Homeowner – Renewals

No violations were noted.

5. Commercial Auto – New Business

No violations were noted.

6. Commercial Auto – Renewals

No violations were noted.

7. Workers' Compensation – New Business

Two (2) policies contained incorrect classification codes for the type of business as required by 215 ILCS 5/462b, resulting in incorrect rating and premium overcharges of \$125 and \$32. Two criticisms were issued to AFMIC.

8. Workers' Compensation – Renewals

One (1) policy charged incorrect premium by not including a covered individual. Use of incorrect rating factors is in violation of 215 ILCS 5/462b. This resulted in a \$441 premium undercharge. A criticism was issued to AFMIC.

Eight (8) files failed to contain adequate documentation as required by 215 ILCS 5/132(2). Specifically, the files did not contain audits necessary for underwriting and rating. A criticism was issued to AFMIC.

One (1) policy contained an incorrect classification code for the type of business as required by 215 ILCS 5/462b, resulting in incorrect rating. This resulted in a \$3,634 premium undercharge. A criticism was issued to AFMIC.

9. Personal Umbrella – New Business

Eight (8) files failed to contain a signed uninsured/underinsured motorist form as required by 215 ILCS 5/143a-2(2). A criticism was issued to AFMIC.

10. Personal Umbrella – Renewals

No violations were noted.

11. Miscellaneous Vehicle – New Business

No violations were noted.

12. Miscellaneous Vehicle – Renewals

No violations were noted.

13. Miscellaneous Commercial – New Business

No violations were noted.

14. Miscellaneous Commercial – Renewals

No violations were noted.

15. Commercial Umbrella – Renewals

No violations were noted.

G. Claims

1. Private Passenger Auto – First-party Paid

For one (1) claim settled at an amount less than claimed, the Company did not provide a written explanation within 30 days as required by 50 Ill. Adm. Code 919.50(a)(1). A criticism was issued to AFMIC.

2. Private Passenger Auto – First-party Closed Without Payment

For one (1) denied claim, the Company did not provide a written explanation why claim was settled at an amount less than claimed as required by 50 Ill. Adm. Code 919.50(a)(1). A criticism was issued to AFMIC.

3. Private Passenger Auto – Third-party Paid

No violations were noted.

4. Private Passenger Auto – Third-party Closed Without Payment

No violations were noted.

5. Private Passenger Auto – Total Loss

In one (1) claim, the Company failed to provide a written explanation for delay and Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.80(b)(2). A criticism was issued to AFMIC.

In nine (9) claims, the Company failed to send a letter with the information required by Exhibit A of 50 Ill. Adm. Code 919.80(c). A criticism was issued to AFMIC.

In four (4) claims, the Company failed to send a letter with the information required by Exhibit A of 50 Ill. Adm. Code 919.80(c). A criticism was issued to ASIC.

6. Private Passenger Auto – Subrogation

No violations were noted.

7. Commercial Auto – First-party Paid

No violations were noted.

8. Commercial Auto – First-party Closed Without Payment

No violations were noted.

9. Commercial Auto – Third-party Paid

No violations were noted.

10. Commercial Auto – Third-party Closed Without Payment

In one (1) claim, the Company failed to timely investigate and settle the claim within 30 days as required by 50 Ill. Adm. Code 919.50(a). A criticism was issued to AFMIC.

11. Homeowners – Paid

No violations were noted.

12. Homeowners – Closed Without Payment

In one (1) claim, the Company failed to include in the delay letter, the Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1). A criticism was issued to AFMIC.

In one (1) claim, at 75 days the Company failed to provide a written explanation for delay and Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.80(d)(7)(B). A criticism was issued to AFMIC.

13. All Other Residential – Paid

In two (2) claims, at 75 days the Company failed to provide a written explanation for delay and Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.80(d)(7)(B). A criticism was issued to AFMIC.

For one (1) claim settled at an amount less than claimed, the Company did not provide a written explanation as required by 50 Ill. Adm. Code 919.50(a)(1). A criticism was issued to AFMIC.

14. All Other Residential – Closed Without Payment

No violations were noted.

15. All Other Personal Lines – Paid

In one (1) claim, the Company failed to pay the claim within 30 days after liability had been determined as required by 50 Ill. Adm. Code 919.50(a). A criticism was issued to AFMIC.

16. All Other Personal Lines – Closed Without Payment

In one (1) claim, the Company failed to provide a written explanation for delay within 30 days and Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1). A criticism was issued to AFMIC.

In one (1) claim, the Company failed to provide a written explanation for denial as required by 50 Ill. Adm. Code 919.50(a)(1). A criticism was issued to ASIC.

17. All Other Commercial – Paid

In one (1) claim, the Company failed to timely investigate and settle the claim within 30 days as required by 50 Ill. Adm. Code 919.50(a). A criticism was issued to AFMIC.

18. All Other Commercial – Closed Without Payment

In two (2) claims, the Company failed to provide a written explanation for denial within 30 days as required by 50 Ill. Adm. Code 919.50(a)(1).

In four (4) claims, the Company failed to include in the denial letter the Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1). A criticism was issued to AFMIC.

19. Workers' Compensation – Paid

In thirty-five claims, the Company failed to submit to insured employers the statutorily required monthly report of compensable claims as required by 820 ILCS 305/19(o). A criticism was issued to AFMIC.

20. Workers' Compensation – Closed Without Payment

No violations were noted.

V. INTERRELATED FINDING

During the course of the examination, it was found fifty-three worker's compensation new business policies and fifty-seven worker's compensation renewal policies did not contain a signed officer exclusion or owner/partner inclusion resulting in application of the incorrect rate contrary to 215 ILCS 5/462b. The Company has been advised to obtain the requested signature(s) or to remove the signature section from their forms.

STATE OF OHIO)
) ss
COUNTY OF LAKE)

Timothy R. Nutt, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In-Charge to examine the insurance business and affairs of American Family Mutual Insurance Company and American Standard Insurance Company of Wisconsin, (the "Company"), NAIC #19275, #19283;

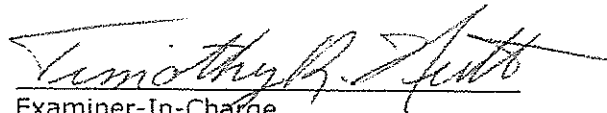
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

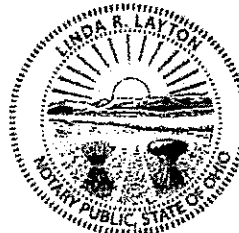
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.


Examiner-In-Charge

Subscribed and sworn to before me
this 4 day of May, 2016.


Notary Public



LINDA R. LAYTON
NOTARY PUBLIC, STATE OF OHIO
LAKE COUNTY
My Commission Expires 7/15/2017

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

AMERICAN FAMILY MUTUAL INSURANCE COMPANY
AMERICAN STANDARD INSURANCE COMPANY OF WISCONSIN
600 AMERICAN PARKWAY
MADISON, WI 53783-0001

STIPULATION AND CONSENT ORDER

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

WHEREAS, American Family Mutual Insurance Company, NAIC 19275, and American Standard Insurance Company of Wisconsin, NAIC 19283, are authorized under the insurance laws of this State and by the Acting Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Companies was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Companies were not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*), the Worker's Compensation Act (820 ILCS 305/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS nothing herein contained, nor any action taken by the Companies 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 Companies; and

WHEREAS, the Companies are aware of and understand 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 Companies understand and agree that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

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

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

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

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

1. Institute and maintain policies and procedures whereby the Companies shall provide the insured an explanation of the basis of the lower offer or denial within 30 days after determination of liability and Notice of Availability of the Department of Insurance shall accompany the explanation as required by 50 Ill. Adm. Code 919.50(a)(1).
2. Institute and maintain policies and procedures whereby the Companies shall provide the insured with, at a minimum, the information contained in Exhibit A, within seven (7) days of determination of the total loss as required by 50 Ill. Adm. Code 919.80(c).
3. Institute and maintain policies and procedures whereby the American Family Mutual Insurance Company shall maintain proof of mailing the insured the notice of nonrenewal as required by 215 ILCS 5/143.17a(a).
4. Institute and maintain policies and procedures whereby the American Family Mutual Insurance Company shall notify the insured employer by the 15th day of each month of any workers' compensation compensable claim incurred during the preceding month and the amounts paid or reserved including a summary and brief statement of the reasons for compensability as required by 820 ILCS 305/19(o).
5. Institute and maintain policies and procedures whereby the American Family Mutual Insurance Company shall ensure the insured has the right to reject additional uninsured motorist or underinsured motorist coverage and shall maintain proof of the written request as required by 215 ILCS 5/143a-2(2).
6. Submit to the Acting Director of Insurance, State of Illinois, proof of compliance with the above five (5) orders within 30 days of execution of this Order.
7. Pay to the Acting Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$10,250 to be paid within 30 days of execution of this Order.

NOTHING contained herein shall prohibit the Acting 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 Companies 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 AMERICAN FAMILY MUTUAL INSURANCE COMPANY and AMERICAN STANDARD INSURANCE COMPANY OF WISCONSIN

Leslie A. Even
Signature

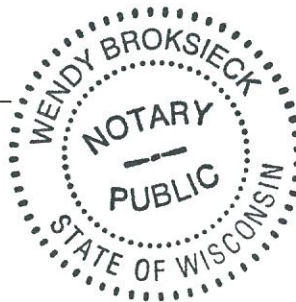
Leslie A. Even
Name

Compliance and Ethics Director
Title

Subscribed and sworn to before me this 22nd day of November 2016.

Wendy Broksieck
Notary Public 10/12/2018

State of Wisconsin
Dane County



DEPARTMENT OF INSURANCE of the State of Illinois:

DATE November 28, 2016

Anne Melissa Dowling
Anne Melissa Dowling
Acting Director

