



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

October 20, 2016

Donald D. Larson, President
Great American Insurance Company
Great American Alliance Insurance Company
301 E. Fourth Street
Cincinnati, OH 45202-4201

**Re: Great American Insurance Company, NAIC #16691
Great American Alliance Insurance Company, NAIC #26832
*Market Conduct Examination Report Closing Letter***

Dear Mr. Larson:

On September 15, 2016, the Department sent a draft copy of the examination report for Great American Insurance Company and Great American Alliance Insurance Company. On October 18, 2016, the Department received correspondence from Sarah Flem, indicating the Companies are in agreement with the findings contained in the report.

Enclosed with this letter is a copy of the verified examination report. The Department has completed the Market Conduct examination of the Companies and is closing its file on this exam.

I intend to ask the Acting Director to make the examination report 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 that reads "Jack Engle".

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington- 5th Floor
Springfield, IL 62767
217-558-1058
E-mail: Jack.Engle@Illinois.gov

cc: Sarah Flem via electronic mail

GREAT AMERICAN INSURANCE COMPANIES

GREAT AMERICAN ALLIANCE INSURANCE COMPANY

AND

GREAT AMERICAN INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION February 8, 2016 through May 9, 2016

EXAMINATION OF GREAT AMERICAN INSURANCE COMPANIES
Great American Alliance Insurance Company (NAIC #26832)
Great American Insurance Company (NAIC #16691)

LOCATION 301 Fourth Street
Cincinnati, OH 45202

PERIOD COVERED BY EXAMINATION November 1, 2014 through October 31, 2015

EXAMINERS Phillip Chesson
Lucinda Woods
André J. Mumper-Ham, Examiner-in-Charge

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I. SUMMARY

A comprehensive market conduct examination of the Workers' Compensation business of Great American Insurance Group Companies (Great American Alliance Insurance Company and Great American Insurance Company) was performed for the Illinois Department of Insurance (ILDOI) to determine compliance with Illinois statutes and the Illinois Administrative Code.

No violations were identified during the examination.

II. BACKGROUND

GREAT AMERICAN INSURANCE COMPANIES

Great American Alliance Insurance Company (NAIC #26832)

Great American Insurance Company (NAIC #16691)

Great American Insurance Group is engaged primarily in the business of property and casualty insurance, focusing on specialized commercial products for businesses. The Group traces its beginning to 1872, with the founding of the German American Insurance Company in New York, a company that later changed its name to Great American Insurance Company.

Great American's property and casualty group is comprised of approximately thirty niche specialty insurance units, including Workers' Compensation. Two of the Company's profit centers, or business units, wrote Workers' Compensation insurance policies in Illinois during the examination period: Strategic Comp and Alternative Markets. Strategic Comp was founded in 1992, in Metairie, Louisiana, and was acquired by Great American Insurance Company in 2008. Alternative Markets was formed by Great American in 1999. The majority of Workers' Compensation policies written by both of these business units are underwritten by in Great American Alliance Insurance Company.

The Great American Alliance Insurance Company's 2015 NAIC Annual Statement, Statutory Page 14 (Illinois), reflects the following for the line of business examined.

	Line	Direct premiums written	Direct premiums earned	Direct losses paid	Direct losses incurred
16	Workers' Compensation	\$17,527,141	\$16,799,687	\$1,382,254	\$4,172,430

The Great American Insurance Company's 2015 NAIC Annual Statement, Statutory Page 14 (Illinois), reflects the following for the line of business examined.

	Line	Direct premiums written	Direct premiums earned	Direct losses paid	Direct losses incurred
16	Workers' Compensation	\$5,935	\$4,851	\$75	\$-65,555

III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. This market conduct examination reviewed the following general areas:

1. Company Operations and Management
2. Complaint Handling
3. Producer Licensing
4. Risk Selection
5. Underwriting
6. Claims

The review of the above categories was accomplished through examination of material related to Company operations and management, complaint files, producer lists, risk selection files, underwriting files and claim files, as well as interviews and Company responses to the Coordinator's Handbook and Information Requests. Each of the categories was examined for compliance with ILDOI regulations and applicable state laws.

The following method was used to obtain the required samples and to ensure a statistically sound selection: Surveys were developed from Company-generated Excel spreadsheets. The Company was requested to provide spreadsheets for Workers' Compensation files. Random statistical file selections were generated by the examiners from these spreadsheets. In the event the number of files was too low for a random sample, the sample consisted of the universe of files.

Company Operations and Management

A review was conducted of the Company's underwriting and claims guidelines and procedures, policy forms, third party vendor oversight, internal audits, certificates of authority, previous market conduct examinations and annual statements. These documents were reviewed for compliance with the Illinois Compiled Statutes and Illinois Administrative Code.

There were no exceptions noted.

Complaint Handling

The Company was requested to identify all consumer and ILDOI complaints received during the examination period and to provide copies of the complaint logs. All complaint files and logs were received. These documents and files were reviewed for compliance with the Illinois Compiled Statutes and the Illinois Administrative Code. The Company reported no ILDOI complaints.

There were no exceptions noted.

Producer Licensing

The Company was requested to provide a list of all producers licensed to do business in Illinois and a list of those producers paid commission in Illinois during the examination period. A sample of the listed producers was reviewed in comparison to the State of Illinois licensing database and for compliance with the Illinois Compiled Statutes and Illinois Administrative Code.

There were no exceptions noted.

Risk Selection

The Company was requested to provide a list of all policies in the following categories during the examination period: Nonrenewals, Cancellations I (Company initiated cancellations), Cancellations II (cancellations for non-pay). The sample files were reviewed to ensure that the policies were processed in compliance with the Illinois Compiled Statutes and Illinois Administrative Code. The review included compliance with statutory requirements, the accuracy and validity of the reason(s) given for the action taken and for any possible unfair discrimination.

There were no exceptions noted.

Underwriting

The underwriting review of applicants for coverage with the Company was selected based on the inception or renewal date of the policy falling within the period under examination. The policies were reviewed for rating accuracy, use of filed rates, use of filed forms, compliance with Company underwriting guidelines and to ensure that the coverage provided was as requested by the applicant. This business was also reviewed to determine if solicitations were made by duly licensed producers.

There were no exceptions noted.

Claims

Claims were requested based on the settlement occurring or the claim file being closed without payment during the period under examination. All claims were reviewed for compliance with policy contracts and endorsements, and applicable sections of the Illinois Insurance Code.

There were no exceptions noted.

IV. SELECTION OF SAMPLE

Survey

	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewe</u>
COMPLAINTS			
ILDOI Complaints	0	0	N/A
Consumer Complaints	0	0	N/A
PRODUCER LICENSING			
Producer Licensing	116	116	100.00%
RISK SELECTION			
Workers' Compensation-Cancellations II-Nonpay	5	5	100.00%
Workers' Compensation-Nonrenewals	10	10	100.00%
UNDERWRITING			
Workers' Compensation-New Business	27	27	100.00%
Workers' Compensation-Renewals	168	168	100.00%
CLAIMS			
Workers' Compensation-Paid	1050	105	10.00%
Workers' Compensation-CWP	168	168	100.00%

V. FINDINGS

A. COMPANY OPERATIONS AND MANAGEMENT

There were no criticisms in this survey.

B. COMPLAINTS

1. Complaints - ILDOI

No complaints were reported.

2. Complaints - Consumer

No complaints were reported.

C. PRODUCER LICENSING

There were no criticisms in this survey.

D. RISK SELECTION

1. Workers' Compensation - Cancellations II - Nonpay

There were no criticisms in this survey.

2. Workers' Compensation - Nonrenewals

There were no criticisms in this survey.

E. UNDERWRITING

1. Workers' Compensation - New Business

There were no criticisms in this survey.

2. Workers' Compensation - Renewals

There were no criticisms in this survey.

F. CLAIMS

1. Workers' Compensation - Paid

There were no criticisms in this survey.

2. Workers' Compensation - CWP

There were no criticisms in this survey.

