



Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

April 10, 2017

Larry J. Jansen, President
Grinnell Mutual Reinsurance Company
Grinnell Select Insurance Company
4215 Highway 146
PO Box 790
Grinnell, IA 50112-0790

Re: Grinnell Mutual Reinsurance Company, NAIC 14117
Grinnell Select Insurance Company, NAIC 16144
Market Conduct Examination Report Closing Letter

Dear Mr. Jansen:

The Department has reviewed your Company's 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,

Jack Engle
AES

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

MARKET CONDUCT EXAMINATION OF
GRINNELL MUTUAL REINSURANCE COMPANY
GRINNELL SELECT INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: July 18, 2016 thru September 30, 2016

EXAMINATION OF: Grinnell Mutual Reinsurance Company
NAIC Number: 14117

Grinnell Select Insurance Company
NAIC Number: 16144

LOCATION OF EXAMINATION: 4215 Highway 146, P.O. Box 790
Grinnell, Iowa 50112

320 West Washington Street
Springfield, Illinois 62767

PERIOD COVERED BY EXAMINATION: April 1, 2015 through March 31, 2016
Complaints – January 1, 2015 through March 31, 2016

EXAMINERS: Sara Moler
John Watts
Roger O. Henschen, Examiner-in-Charge

INDEX

	Page
I. SUMMARY	1
II. BACKGROUND	3
III. METHODOLOGY	5
IV. SELECTION OF SAMPLES	6
V. FINDINGS	8
A. Risk Selection	8
1. Private Passenger Auto Company Initiated Cancellations	
2. Private Passenger Auto Non-Pay Cancellations	
3. Private Passenger Auto Nonrenewals	
4. Commercial Auto Monoline Company Initiated Cancellations	
5. Commercial Auto Monoline Non-Pay Cancellations	
6. Commercial Auto Monoline Nonrenewals	
7. Homeowner Company Initiated Cancellations	
8. Homeowner Non-Pay Cancellations	
9. Homeowner Nonrenewals	
10. Dwelling Fire Company Initiated Cancellations	
11. Dwelling Fire Non-Pay Cancellations	
12. Dwelling Fire Nonrenewals	
13. Farmowner Company Initiated Cancellations (Personal Lines)	
14. Farmowner Non-Pay Cancellations (Personal Lines)	
15. Farmowner Nonrenewals (Personal Lines)	
16. Business Owners Company Initiated Cancellations	
17. Business Owners Non-Pay Cancellations	
18. Business Owners Nonrenewals	
19. Commercial Property/Package Company Initiated Cancellations	
20. Commercial Property/Package Non-Pay Cancellations	
21. Commercial Property/Package Nonrenewals	
22. Workers' Compensation Company Initiated Cancellations	
23. Workers' Compensation Non-Pay Cancellations	
24. Workers' Compensation Nonrenewals	
25. Rescissions	

B.	Underwriting	10
	1. Private Passenger Auto New Business	
	2. Homeowner New Business	
	3. Dwelling Fire New Business	
	4. Farmowner New Business (Personal Lines-Liability Only)	
	5. Workers' Compensation New Business	
	6. Commercial Auto Renewals	
	7. Business Owners Renewals	
	8. Commercial Property/Package Renewals	
	9. Workers' Compensation Renewals	
	10. Producer Licensing-Commissions Paid	
C.	Claims	11
	1. Private Passenger Auto First Party Median & Paid	
	2. Private Passenger Auto First Party Closed Without Payment	
	3. Private Passenger Auto Third Party Property Damage Median & Paid	
	4. Private Passenger Auto Third Party Property Damage Closed Without Payment	
	5. Private Passenger Auto First Party Total Losses	
	6. Private Passenger Auto First Party Subrogation	
	7. Commercial Auto First Party Paid	
	8. Commercial Auto First Party Closed Without Payment	
	9. Commercial Auto Third Party Property Damage Paid	
	10. Commercial Auto Third Party Property Damage Closed Without Payment	
	11. Commercial Auto First Party Total Losses	
	12. Commercial Auto Subrogation	
	13. Homeowner Paid	
	14. Homeowner Closed Without Payment	
	15. Dwelling Fire Paid	
	16. Dwelling Fire Closed Without Payment	
	17. Farmowner Paid (Personal Lines)	
	18. Farmowner Closed Without Payment (Personal Lines)	
	19. Workers' Compensation Paid	
	20. Workers' Compensation Closed Without Payment	
D.	Complaints	15
	1. Illinois Department of Insurance Complaints	
	2. Consumer Complaints	
VI.	INTERRELATED FINDING	16

I. SUMMARY

A comprehensive market conduct examination of Grinnell Mutual Reinsurance Company and Grinnell Select Insurance Company (the companies were examined as a group and are hereinafter collectively referred to as “the Company”) 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						
Crit #	Statute/Rule	Description of Violations	Population	Files Reviewed	# of Violations	Error %
1	50 Ill. Adm. Code 926.50	Consumer Complaints: fail to maintain log as outlined in Exhibit A and as defined in Exhibit B	1	1	1	100%
2	50 Ill. Adm. Code 926.50	DOI Complaints: fail to maintain log as outlined in Exhibit A and as defined in Exhibit B	2	2	1	50%
3	50 Ill. Adm. Code 926.40	DOI Complaints: failure to respond timely to the DOI	2	2	1	50%
4	215 ILCS 5/143.17a(b)	Bus. Owners Renewals: fail to provide named insured written notice of 30% increase in premium or changes in coverage at least 60 days in advance of renewal	1974	60	1	1.67%
10	215 ILCS 5/143.10a	Commercial Auto Company Initiated Cancels: no loss info provided with notice of cancellation	11	11	11	100%
11	215 ILCS 5/143.10a	Bus. Owners Company Initiated Cancels: no loss info provided with notice of cancellation	20	20	15	75%
14	215 ILCS 5/143.10a	Commercial Property/Package Company Initiated Cancels: no loss info provided with notice of cancellation	6	6	2	33.33%
18	50 Ill. Adm. Code 919.80(b)(2)	PPA Total Losses: failure to provide proper delay letter	144	76	12	15.79%
19	50 Ill. Adm. Code 919.30(c)	PPA Total Losses: detailed and adequate documentation missing in claim file	144	76	5	6.58%
20	215 ILCS 5/143.19.1	PPA Nonrenewals: failure to give 60 days notice of nonrenewal when policy in effect 5 years or more and not one of reasons permitted	47	47	8	17.02%
22	215 ILCS 5/143.23	Farmowner Nonrenewals: no right to appeal	2	2	2	100%
23	50 Ill. Adm. Code 919.80(c)	PPA Total Losses: no evidence Exhibit A sent within 7 days	144	76	39	51.32%
26	50 Ill. Adm. Code 919.80(c)(2)	PPA Total Losses: failed to use a methodology and source listed to determine value of total loss	144	76	6	7.89%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violations	Population	Files Reviewed	# of Violations	Error %
27	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	PPA Total Losses: failure to pay the correct sales tax and title and transfer fees (14 overpayments totaling \$3,782.77 and one underpayment of \$120.00)	144	76	15	19.74%
29	215 ILCS 5/143.10a	Bus. Owners Nonrenewals: no loss info provided with notice	22	22	4	18.18%
31	50 Ill. Adm. Code 753.10(a)(2)	PPA Total Losses: failing to use filed endorsement	144	76	1	1.32%
32	50 Ill. Adm. Code 919.60(a)	PPA Total Losses: "final" on draft to insured	144	76	1	1.32%
33	215 ILCS 5/143.10a	Commercial Property/Package Nonrenewals: no loss info with notice	23	23	3	13.04%
36	820 ILCS 305/8.2(d)(3)	Workers' Compensation Paid: failure to pay interest after 30 days (\$7.15 underpayment)	70	70	1	1.43%
37	215 ILCS 5/143.10a	Commercial Auto Nonrenewals: no loss info with notice	25	25	3	12%
42	50 Ill. Adm. Code 919.80(c)	PPA 1 st Party Paid: no evidence Exhibit A sent within 7 days	581	105	10	9.52%
43	50 Ill. Adm. Code 919.30(c)	PPA 1 st Party Paid: detailed and adequate documentation missing in claim file	581	105	1	0.95%
44	50 Ill. Adm. Code 919.80(c)(2)	PPA 1 st Party Paid: failed to use a methodology and source listed to determine value of total loss	581	105	3	2.86%
45	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	PPA 1 st Party Paid: failure to pay transfer fees on total losses (one underpayment of \$50.00)	581	105	1	0.95%
46	50 Ill. Adm. Code 919.80(b)(2)	PPA 1 st Party CWP: failure to send proper delay letter	194	76	6	7.89%
47	50 Ill. Adm. Code 919.80(b)(3)	PPA 3 rd Party Paid: fail to send delay letter	338	82	4	4.88%
48	50 Ill. Adm. Code 919.50(a)(1)	Commercial Auto 1 st Party CWP: Notice of Availability of the DOI missing on denial letter	62	62	1	1.61%
49	50 Ill. Adm. Code 919.80(b)(3)	PPA 3 rd Party CWP: fail to send delay letter	65	65	5	7.69%
50	50 Ill. Adm. Code 919.30(c)	PPA 3 rd Party CWP: detailed documentation missing (1 underpay of \$979.90 and 1 undetermined)	65	65	2	3.08%
52	50 Ill. Adm. Code 919.50(a)	PPA Subrogation: failure to make payment in 30 days (untimely)	68	68	2	2.94%
Inter	820 ILCS 305/19(o)	Workers' Compensation: failure to provide the insured employer loss information as required (from Company response to Interrogatory #6)	70	70	70	100%

II. BACKGROUND

GRINNELL MUTUAL REINSURANCE COMPANY

The company was organized at Greenfield, Iowa on April 17, 1909, under the name of Iowa Farmers Mutual Reinsurance Association to provide a reinsurance facility for county mutuals domiciled in the state of Iowa.

In 1933, the home office was moved to Grinnell, Iowa. Also, in that same year the company's name was changed to Farmers Mutual Reinsurance Association by amendment to the Articles of Incorporation.

In 1948, the name was changed to the Farmers Mutual Reinsurance Company. The Articles of Incorporation were amended to permit the company to operate under the provisions of Chapter 491, Code of Iowa, and Chapter 515, Code of Iowa, and all acts amendatory thereto.

The company's corporate existence was made perpetual as of April 17, 1949. On June 26, 1963, the present corporate title, Grinnell Mutual Reinsurance Company, was adopted.

2015 State Page Exhibit – 019 Illinois

Line	Direct Premiums Written	Direct Premiums earned	Direct Losses Paid	Direct Losses Incurred
01-Fire	131,591	123,655	212,184	213,371
02.1-Allied lines	1,096,854	1,085,396	479,615	446,344
02.4-Private Crop	1,395,205	1,395,205	572,258	572,258
04-Homeowners multi-peril	10,733	11,143	-292	420
05.1-Commercial multi-peril (non-liability portion)	7,713,285	7,385,306	3,439,124	2,605,512
05.2-Commercial multi-peril (liability portion)	3,771,745	3,693,648	1,235,762	132,360
09-Inland marine	1,634,949	1,612,133	385,439	363,733
12-Earthquake	1,370,866	1,312,498	0	0
16-Workers' compensation	10,139,744	9,871,716	4,116,217	6,237,672
17.1-Other liability-occurrence	11,964,984	11,680,282	3,236,469	6,618,487
18-Products liability	1,010,995	991,528	235,207	265,770
19.2-Other private passenger auto liability	1,834,259	1,887,953	1,108,440	1,164,206
19.4-Other commercial auto liability	4,071,776	3,936,413	1,238,993	2,120,066
21.1-Private passenger auto physical damage	1,476,794	1,514,849	1,019,315	1,026,180
21.2-Commercial auto physical damage	2,299,002	2,221,584	1,223,712	1,241,276
26-Burglary and theft	9,261	9,987	0	-11
Totals	49,932,044	48,733,297	18,502,734	23,006,932

GRINNELL SELECT INSURANCE COMPANY

The company was organized at Grinnell, Iowa on July 23, 1984. The general purpose of the company is to provide a facility for insuring risks with special characteristics and to develop the appropriate selection and rating mechanisms for those risks, limiting its market to the territory served by Grinnell Mutual Reinsurance Company and its agency contracts to those agents under contract with Grinnell Mutual Reinsurance Company.

The company's corporate existence was made perpetual as of July 23, 1984.

2015 State Page Exhibit – 019

Line	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
09-Inland Marine	7014	6123	0	0
19.2-Other private passenger auto liability	5,319,524	5,168,977	2,781,038	4,067,892
21.1-Private passenger auto physical damage	5,093,000	4,962,774	3,046,999	3,099,393
Totals	10,419,538	10,137,874	5,828,037	7,167,286

III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The scope of this market conduct examination was limited to the following general areas:

1. Risk Selection
2. Underwriting
3. Claims
4. Complaints

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

The following method was used to obtain the required samples and to assure a statistically sound selection. Surveys were developed from Company generated Excel spreadsheets.

Risk Selection

Cancellations and nonrenewals of existing policyholders were requested on the basis of the effective date of the transaction falling within the period under examination. Cancellations and nonrenewals were reviewed for their compliance with statutory requirements, the accuracy and validity of reasons given and for any possible discrimination.

Underwriting

The underwriting of new applicants for coverage with the Company was selected based on the inception date of the policy falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, use of filed forms, for compliance with Company underwriting guidelines and to ensure that the coverage provided was as requested by the applicant.

Claims

Claims were requested based on the settlement occurring or the claim file being closed without payment within the period under examination.

All 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.*).

Complaints

Complaints were requested based on those received by the Company during the period under examination, and were reviewed for completion, accuracy and validity of the complaint. Complaints received were reviewed by the Illinois Department of Insurance during the examination experience period and those received directly from the consumer.

IV. SELECTION OF SAMPLES

		<u>Total Files</u>	<u># Reviewed</u>	<u>% Reviewed</u>
A.	Risk Selection			
1.	Private Passenger Auto Company Initiated Cancellations	20	20	100%
2.	Private Passenger Auto Non-pay Cancellations	412	32	7.77%
3.	Private Passenger Auto Nonrenewals	47	47	100%
4.	Commercial Auto Monoline Company Initiated Cancellations	11	11	100%
5.	Commercial Auto Monoline Non-Pay Cancellations	71	51	71.83%
6.	Commercial Auto Monoline Nonrenewals	25	25	100%
7.	Homeowner Company Initiated Cancellations	1	1	100%
8.	Homeowner Non-Pay Cancellations	none	none	N/A
9.	Homeowner Nonrenewals	none	none	N/A
10.	Dwelling Fire Company Initiated Cancellations	none	none	N/A
11.	Dwelling Fire Non-Pay Cancellations	none	none	N/A
12.	Dwelling Fire Nonrenewals	none	none	N/A
13.	Farmowner Company Initiated Cancellations	2	2	100%
14.	Farmowner Non-Pay Cancellations	97	45	46.39%
15.	Farmowner Nonrenewals	2	2	100%
16.	Business Owners Company Initiated Cancellations	20	20	100%
17.	Business Owners Non-Pay Cancellations	175	53	30.29%
18.	Business Owners Nonrenewals	22	22	100%
19.	Commercial Property/Package Company Initiated Cancellations	6	6	100%
20.	Commercial Property/Package Non-Pay Cancellations	59	50	84.75%
21.	Commercial Property/Package Nonrenewals	23	23	100%
22.	Workers' Comp Initiated Cancellations	19	19	100%
23.	Workers' Comp Non-Pay Cancellations	123	49	39.84%
24.	Workers' Comp Nonrenewals	24	24	100%
25.	Rescissions	none	none	N/A

B. Underwriting				
1.	Private Passenger Auto New Business	1443	114	7.90%
2.	Homeowner New Business	2	2	100%
3.	Dwelling Fire New Business	none	none	N/A
4.	Farmowner New Business	512	113	22.07%
5.	Workers' Comp New Business	448	86	19.20%
6.	Commercial Auto Renewals	1275	50	3.92%
7.	Business Owners Renewals	1974	60	3.04%
8.	Commercial Property/Package Renewals	1735	50	2.88%
9.	Workers' Comp Renewals	1573	50	3.18%
10.	Producer Licensing-Commissions Paid	6347	116	1.83%
C. Claims				
1.	Private Passenger Auto First Party Median & Paid	581	105	18.07%
2.	Private Passenger Auto First Party Closed Without Payment	194	76	39.18%
3.	Private Passenger Auto Third Party Property Damage Median & Paid	338	82	24.26%
4.	Private Passenger Auto Third Party Property Damage Closed Without Payment	65	65	100%
5.	Private Passenger Auto Total Losses -- First Party	144	76	52.78%
6.	Private Passenger Auto Subrogation	68	68	100%
7.	Commercial Auto First Party Paid	195	50	25.64%
8.	Commercial Auto First Party Closed Without Payment	62	62	100%
9.	Commercial Auto Third Party Property Damage Paid	91	50	54.95%
10.	Commercial Auto Third Party Property Damage Closed Without Payment	38	38	100%
11.	Commercial Auto Total Losses	17	17	100%
12.	Commercial Auto Subrogation	9	9	100%
13.	Homeowner Paid	none	none	N/A
14.	Homeowner Closed Without Payment	1	1	N/A
15.	Dwelling Fire Paid	none	none	N/A
16.	Dwelling Fire Closed Without Payment	none	none	N/A
17.	Farmowner Paid	none	none	N/A
18.	Farmowner Closed Without Payment	none	none	N/A
19.	Workers' Comp Paid	70	70	100%
20.	Workers' Comp Closed Without Payment	16	16	100%
D. Complaints				
1.	Illinois Department of Insurance	2	2	100%
2.	Consumer	1	1	100%

V. FINDINGS

A. Risk Selection

1. Private Passenger Auto Company Initiated Cancellations

There were no criticisms.

2. Private Passenger Auto Non-Pay Cancellations

There were no criticisms.

3. Private Passenger Auto Nonrenewals

47 nonrenewals were examined and all of these policies had been in effect for 5 or more years at the time of nonrenewal. In eight (8) of those files (17.02% of the 47), the Company was in violation of 215 ILCS 5/143.19.1 for failing to mail the notice of intention not to renew at least 60 days prior to the date of nonrenewal when the reason for the nonrenewal was not one of the reasons permitted.

4. Commercial Auto Monoline Company Initiated Cancellations

In 11 files (100% of the 11 examined), the Company failed to provide loss information at the same time as the notice of cancellation and was in violation of 215 ILCS 5/143.10a.

5. Commercial Auto Monoline Non-Pay Cancellations

There were no criticisms.

6. Commercial Auto Monoline Nonrenewals

In three (3) files (12% of the 25 examined), the Company failed to provide loss information at the same time as the notice of nonrenewal and was in violation of 215 ILCS 5/143.10a.

7. Homeowner Company Initiated Cancellations

There were no criticisms.

8. Homeowner Non-Pay Cancellations

There were no Homeowner Non-Pay Cancellations.

9. Homeowner Nonrenewals

There were no Homeowner Nonrenewals.

10. Dwelling Fire Company Initiated Cancellations

There were no Dwelling Fire Company Initiated Cancellations.

11. Dwelling Fire Non-Pay Cancellations

There were no Dwelling Fire Non-Pay Cancellations.

12. Dwelling Fire Nonrenewals

There were no Dwelling Fire Nonrenewals.

13. Farmowner Company Initiated Cancellations (Personal Lines)

There were no criticisms.

14. Farmowner Non-Pay Cancellations (Personal Lines)

There were no criticisms.

15. Farmowner Nonrenewals (Personal Lines)

In two (2) files (100% of the two (2) examined), the Company was in violation of 215 ILCS 5/143.23 for failing to advise the named insured of his right to appeal and the procedure to follow for such appeal when nonrenewing the policy which had been in effect 5 or more years.

16. Business Owners Company Initiated Cancellations

In 15 files (75% of the 20 examined), the Company failed to provide loss information at the same time as the notice of cancellation and was in violation of 215 ILCS 5/143.10a.

17. Business Owners Non-Pay Cancellations

There were no criticisms.

18. Business Owners Nonrenewals

In four (4) files (18.18% of the 22 examined), the Company failed to provide loss information at the same time as the notice of nonrenewal and was in violation of 215 ILCS 5/143.10a.

19. Commercial Property/Package Company Initiated Cancellations

In two (2) files (33.33% of the six (6) examined), the Company failed to provide loss information at the same time as the notice of cancellation and was in violation of 215 ILCS 5/143.10a.

20. Commercial Property/Package Non-Pay Cancellations

There were no criticisms.

21. Commercial Property/Package Nonrenewals

In three (3) files (13.04% of the 23 examined), the Company failed to provide loss information at the same time as the notice of nonrenewal and was in violation of 215 ILCS 5/143.10a.

22. Workers' Compensation Company Initiated Cancellations

There were no criticisms.

23. Workers' Compensation Non-Pay Cancellations

There were no criticisms.

24. Workers' Compensation Nonrenewals

There were no criticisms.

25. Rescissions

There were no Rescissions.

B. Underwriting

1. Private Passenger Auto New Business

There were no criticisms.

2. Homeowner New Business

There were no criticisms.

3. Dwelling Fire New Business

There were no Dwelling Fire New Business policies issued.

4. Farmowner New Business (Personal Lines-Liability Only)

There were no criticisms.

5. Workers' Compensation New Business

There were no criticisms.

6. Commercial Auto Renewals

There were no criticisms.

7. Business Owners Renewals

In one (1) file (1.67% of the 60 examined), the Company failed to mail to the named insured written notice of a 30% or more increase in premiums or change in deductibles or coverage that materially alters the policy and was in violation of 215 ILCS 5/143.17a(b).

8. Commercial Property/Package Renewals

There were no criticisms.

9. Workers' Compensation Renewals

There were no criticisms.

10. Producer Licensing-Commissions Paid

There were no criticisms.

C. Claims

1. Private Passenger Auto First Party Median & Paid

The median payment period was 12 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	91	86.7
31-60	8	7.6
61-90	3	2.9
91-180	2	1.9
181-365	1	1.0
<u>over 365</u>	<u>0</u>	<u>0.0</u>
Total	105	100

105 files were examined. In 10 files (9.52% of the 105), the Company failed to send Exhibit A to the insured as outlined in 50 Ill. Adm. Code 919.80(c).

In three (3) files (2.86% of the 105 files examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c)(2) for failing to correctly use the methodology and source chosen to determine the retail value of the insured total loss.

In one (1) file (0.95% of the 105 files examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i) for failing to pay the \$25.00 transfer fees on both of the insured's total losses creating underpayments totaling \$50.00. The Company made reimbursements to the insured.

In one (1) file (0.95% of the 105 examined), detailed documentation was missing resulting in a violation of 50 Ill. Adm. Code 919.30(c).

2. Private Passenger Auto First Party Closed Without Payment

76 files were examined. Six (6) files (7.89% of the 76) remained unresolved for more than 40 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2).

3. Private Passenger Auto Third Party Property Damage Median & Paid

The median payment period was 14 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	52	63.4
31-60	14	17.1
61-90	9	11.0
91-180	4	4.9
181-365	3	3.7
<u>over 365</u>	<u>0</u>	<u>0.0</u>
Total	82	100

(When taking out arbitration, litigation and subrogation files, the median was 13 days with 65 files.)

82 files were examined and five (5) of those files remained unresolved for more than 60 calendar days from the date the loss was reported requiring a reasonable written explanation for the delay to be provided the third party as outlined in 50 Ill. Adm. Code 919.80(b)(3). The Company failed to do so in four (4) files (4.88% of the 82).

4. Private Passenger Auto Third Party Property Damage Closed Without Payment

65 files were examined. Five (5) files (7.69% of the 65) remained unresolved for more than 60 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the third party as outlined in 50 Ill. Adm. Code 919.80(b)(3).

In two (2) files (3.08% of the 65 examined), the Company was in violation of 50 Ill. Adm. Code 919.30(c) for lack of detailed and adequate documentation resulting in one (1) underpayment of \$979.90 and another undetermined underpayment. The draft for \$979.90 has been sent to the third party.

5. Private Passenger Auto First Party Total Losses

As required by 50 Ill. Adm. Code 919.80(c), the Company is to provide the insured with, at a minimum, the information contained in Exhibit A and provide that information within 7 days of the insured vehicle being determined a total loss. In 39 files (51.32% of the 76 files examined) the Company was in violation of Section 919.80(c).

In 15 files (19.74% of the 76 examined), the Company failed to pay the correct sales tax and/or title and transfer fees in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i), creating 14 overpayments totaling \$3,782.77 and one (1) underpayment of \$120.00. The Company made the \$120.00 payment to the insured.

76 files were examined. 12 files (15.79% of the 76 examined) remained unresolved for more than 40 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2).

In six (6) files (7.89% of the 76 files examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c)(2) for failing to correctly use the methodology and source chosen to determine the retail value of the insured total loss.

In five (5) files (6.58% of the 76 examined), detailed and/or adequate documentation was missing resulting in a violation of 50 Ill. Adm. Code 919.30(c).

In one (1) file (1.32% of the 76 examined), the Company failed to pay the insured claim according to their filed "WAIVED DEDUCTIBLE ENDORSEMENT, GMIL 5542". According to the endorsement, the Company should have waived both \$250.00 deductibles (there were two (2) total loss units.) The Company was in violation of 50 Ill. Adm. Code 753.10(a)(2). The Company returned \$500.00 to the insured when they received subrogation payments from the third party carrier.

In one (1) file (1.32% of the 76 examined), the Company included final payment verbiage on a check to the insured. Unless policy limits have been met, no Company may indicate to the insured on a payment draft, check or accompanying letter that said payment is “final” or “a release” unless there is a bona fide dispute. There was no evidence in the file that any policy limit had been met or that there was a bona fide dispute. The Company was in violation of 50 Ill. Adm. Code 919.60(a).

6. Private Passenger Auto First Party Subrogation

68 files were examined. In two (2) files (2.94% of the 68), the Company was in violation of 50 Ill. Adm. Code 919.50(a), for failing to return the insured pro-rata share of the deductible within 30 days of receipt of the recovery from the third party carrier. The payment was not timely.

7. Commercial Auto First Party Paid

There were no criticisms.

8. Commercial Auto First Party Closed Without Payment

In one (1) file (1.61% of the 62 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) for failing to provide or include the Notice of Availability of the Illinois Department of Insurance with the denial letter sent to the insured.

9. Commercial Auto Third Party Property Damage Paid

There were no criticisms.

10. Commercial Auto Third Party Property Damage Closed Without Payment

There were no criticisms.

11. Commercial Auto First Party Total Losses

There were no criticisms.

12. Commercial Auto Subrogation

There were no criticisms.

13. Homeowner Paid

There were no Homeowner Paid claims.

14. Homeowner Closed Without Payment

There were no criticisms.

15. Dwelling Fire Paid

There were no Dwelling Fire Paid claims.

16. Dwelling Fire Closed Without Payment

There were no Dwelling Fire Closed Without Payment claims.

17. Farmowner Paid (Personal Lines)

There were no Farmowner Paid claims.

18. Farmowner Closed Without Payment (Personal Lines)

There were no Farmowner Closed Without Payment claims.

19. Workers' Compensation Paid

In one (1) file (1.43% of the 70 examined), the Company was in violation of 820 ILCS 305/8.2(d)(3) for failing to pay interest to the provider when the provider payment exceeded 30 days from receipt of the bill and substantially all of the required data had been received. The Company made the \$7.15 interest payment to the provider.

20. Workers' Compensation Closed Without Payment

There were no criticisms.

D. Complaints

1. Illinois Department of Insurance Complaints

In one (1) file (50% of the two (2) examined), the Company was in violation of 50 Ill. Adm. Code 926.50, Maintenance of Complaint Records, for failing to maintain the complaint log as required by Exhibit A and as defined in Exhibit B.

In one (1) file (50% of the two (2) examined), the Company was in violation of 50 Ill. Adm. Code 926.40 for failing to respond to the Illinois Department of Insurance in a timely manner.

2. Consumer Complaints

In one (1) file (100% of those examined), the Company was in violation of 50 Ill. Adm. Code 926.50, Maintenance of Complaint Records, for failing to maintain the complaint log as required by Exhibit A and as defined in Exhibit B.

VI. INTERRELATED FINDING

From the response to Interrogatory #6, the Company was in violation of 820 ILCS 305/19(o) for failing to notify each 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 on the claim, including a summary of the claim and a brief statement of the reasons for compensability. The Company also failed to furnish the insured employer a cumulative report of all claims incurred during the calendar year or continued from the previous year within 30 days after the end of the calendar year.

STATE OF ILLINOIS)
) ss
COUNTY OF SANGAMON)

Roger Henschen, 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 Grinnell Mutual Reinsurance Company and Grinnell Select Insurance Company (collectively the "Company").

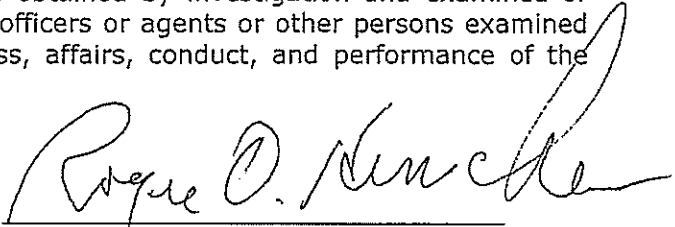
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

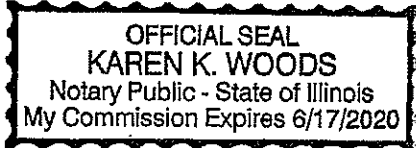
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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

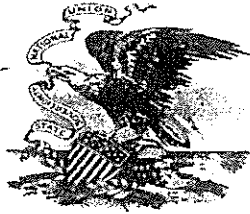
Subscribed and sworn to before me
this 29 day of September, 2016


Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**GRINNELL MUTUAL REINSURANCE COMPANY
GRINNELL SELECT INSURANCE COMPANY
4215 HIGHWAY 146, PO BOX 790
GRINNELL, IA 50112-0790**

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, Grinnell Mutual Reinsurance Company, NAIC 14117, and Grinnell Select Insurance Company, NAIC 16144, collectively referred to as “the Company”, are 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 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.*), 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 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 maintain a complaint record with the required minimum information for complaints received from the Department, as well as those received directly from the consumer as required by 50 Ill. Adm. Code 926.50.
2. Institute and maintain policies and procedures whereby the Company shall provide loss information for the three (3) previous policy years to the insured at the same time as the notice of cancellation or nonrenewal as required by and outlined in 215 ILCS 5/143.10a.
3. Institute and maintain policies and procedures whereby the Company shall provide the insured a reasonable written explanation for the delay when the claim remains unresolved for more than 40 days as outlined in 50 Ill. Adm. Code 919.80(b)(2).
4. Institute and maintain policies and procedures whereby the Company shall provide the insured with at least 60 days advanced notice of nonrenewal after the policy has been effective or renewed for five (5) years as required by 215 ILCS 5/143.19.1.
5. Institute and maintain policies and procedures whereby the Company shall advise the insured of the right to appeal and the procedure to follow for such appeal when canceling the policy as required by and outlined in 215 ILCS 5/143.23.
6. Institute and maintain policies and procedures whereby the Company shall provide the insured with, at a minimum, the information contained in Section 919. Exhibit A Total Loss Automotive Claims, within seven (7) days of determination of the total loss as required by 50 Ill. Adm. Code 919.80(c).
7. Institute and maintain policies and procedures whereby the Company shall use one of the approved methodologies to determine the total loss valuation as required by 50 Ill. Adm. Code 919.80(c)(2).
8. Institute and maintain policies and procedures whereby the Company shall reimburse the insured the applicable sales tax and transfer and title fees as required by 50 Ill. Code 919.80(c)(3)(A)(i).

9. Institute and maintain policies and procedures whereby the Company shall provide the claimant with a reasonable written explanation for the delay when a third party claim remains unresolved in excess of 60 calendar days from the date it is reported as required by 50 Ill. Adm. Code 919.80(b)(3).
10. Institute and maintain policies and procedures whereby the 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).
11. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above 10 orders within 30 days of execution of this Order.
12. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$24,900 to be paid within 30 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 GRINNELL MUTUAL REINSURANCE COMPANY and GRINNELL SELECT INSURANCE COMPANY

Larry Jones
Signature

Larry Jones
Name

President - CEO
Title

Subscribed and sworn to before me this
16 day of March 2017.



Kimberly Pickett
Notary Public

DEPARTMENT OF INSURANCE of the State of Illinois:

DATE 3/21/2017

Jennifer Hammer
Jennifer Hammer
Director

