



Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

VIA ELECTRONIC MAIL

April 23, 2018

Mr. Joseph J. Babiak Jr.
President & CEO
Hastings Mutual Insurance Company
404 East Woodlawn Avenue
Hastings, MI 49058-1091

Re: Hastings Mutual Insurance Company, NAIC 14176
Market Conduct Examination Report Closing Letter

Dear Mr. Babiak:

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,

Michael P. Rohan
Deputy Director
Consumer Education and Protection
Illinois Department of Insurance
122 S. Michigan Avenue, 19th Floor
Chicago, IL 60603
Phone: 312-814-8206
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**ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION OF**

Hastings Mutual Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: July 10, 2017 through November 30, 2017

EXAMINATION OF: Hastings Mutual Insurance Company
(P & C) NAIC #14176

LOCATION: 404 E. Woodlawn Avenue
Hastings, MI 49058

**PERIOD COVERED BY
EXAMINATION:** March 1, 2016 through February 28, 2017 – claims
September 1, 2015 through February 28, 2017 – complaints
March 1, 2014 through February 28, 2017 – workers' compensation

EXAMINERS: Ron Cochran, Examiner-in-Charge
Nicole Richards, MCM
Sara Moler, MCM

INDEX

	Page
I. SUMMARY	1
II. BACKGROUND	6
III. METHODOLOGY	8
IV. SELECTION OF SAMPLE	10
V. FINDINGS	11
A. Risk Selection	11
1. Private Passenger Automobile Cancellations	
2. Private Passenger Automobile Nonrenewals	
3. Homeowner Cancellations	
4. Homeowner Nonrenewals	
5. Dwelling Fire Cancellations	
6. Dwelling Fire Nonrenewals	
7. Workers' Compensation Cancellations	
8. Workers' Compensation Nonrenewals	
B. Underwriting	12
1. Private Passenger Automobile New Business	
2. Private Passenger Automobile Renewals	
3. Homeowner New Business	
4. Homeowner Renewals	
5. Dwelling Fire New Business	
6. Dwelling Fire Renewals	
7. Workers' Compensation New Business	
8. Workers' Compensation Renewals	
C. Claims	13
1. Private Passenger Automobile 1 st Party Paid & Median	
2. Private Passenger Automobile 1 st Party Closed Without Payment	
3. Private Passenger Automobile 3 rd Party Paid & Median	
4. Private Passenger Automobile 3 rd Party Closed Without Payment	
5. Private Passenger Automobile Subrogation	
6. Private Passenger Automobile 1 st Party Total Losses Paid	
7. Private Passenger Automobile 3 rd Party Total Losses Paid	
8. Homeowner Paid & Median	
9. Homeowner Closed Without Payment	
10. Dwelling Fire Paid & Median	
11. Dwelling Fire Closed Without Payment	

- 12. Workers' Compensation Paid
- 13. Workers' Compensation Closed Without Payment

- D. Policyholder Service
 - 1. Department and Consumer Complaints
 - 2. Producer Licensing

17

I. SUMMARY

A comprehensive market conduct examination of Hastings Mutual Insurance Company (the “Company” or “HMIC”) 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	Survey/Description	Population	Files Reviewed	Number of Violations	Error %
19	215 ILCS 5/143.15	Homeowner 1 st 60 Day cancellations – failure to provide specific reason for cancellation	30	8	6	75.00%
21	215 ILCS 5/143.15	Homeowner After 61 Day cancellations – failure to provide specific reason for cancellation	6	6	1	16.67%
11	215 ILCS 5/143.17a(a)	Workers’ Compensation Nonrenewals – failure to provide a specific reason for nonrenewal	6	6	1	16.67%
23	215 ILCS 5/143.15	Dwelling Fire 1 st 60 Day Cancellations – failure to provide specific reason for cancellation	14	14	7	50.00%
8	215 ILCS 5/143.17(e)	Homeowner Nonrenewals – failure to provide specific reason for nonrenewal	12	12	4	33.33%
14	215 ILCS 5/143.17(e)	Private Passenger Auto Nonrenewals – failure to provide specific reason for nonrenewal	21	21	2	9.52%
15	215 ILCS 5/143.19.1(g)	Private Passenger Auto Nonrenewals – policies in effect 5 years or more-failure to provide a minimum 60 day notice of intent to nonrenew	21	21	5	23.81%
9	215 ILCS 5/143.21.1	Homeowner Nonrenewals – policies in effect 5 years or more-failure to provide a minimum 60 day notice of intent to nonrenew	12	12	1	8.33%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Survey/Description	Population	Files Reviewed	Number of Violations	Error %
31	215 ILCS 5/143b	Private Passenger Auto Subrogation claims – failure to reimburse the full pro-rata deductible share as soon as such amount is collected when recovering directly from a third party	19	19	1	5.26%
38	215 ILCS 5/805.1(a)	Homeowner Renewals – failure to include mine subsidence coverage on the policy or provide a waiver signed by the insured on insured property located in a mandatory mine subsidence county	3651	115	4	3.48%
29	820 ILCS 305/8.2(d)(2)	Workers’ Compensation Closed Without Payment claims – failure to provide written notification of denial to med provider	100	100	3	3.00%
18	820 ILCS 305/8.2(d)(3)	Workers’ Compensation Paid claims – failure to pay the interest amount owed to the medical provider for non-payment of medical bills within 30 days of receipt	319	82	9	10.98%
13	50 Ill. Adm. Code 754.10(b)(1)	Private Passenger Auto New Business – failure to follow filed rules and rating guidelines	386	84	10	11.90%
1	50 Ill. Adm. Code 754.10(b)(1)	Homeowner New Business – failure to follow filed rules and rating guidelines	386	84	1	1.19%
36	50 Ill. Adm. Code 919.30(c)	Private Passenger Auto 3 rd Party Closed Without Payment claims – file fails to contain documentation to recreate the company’s activity relative to the claim	24	24	1	4.17%
2	50 Ill. Adm. Code 919.50(a)	Homeowner Paid Claims – failure to provide payment in 30 days if amount known and not in dispute	98	98	2	2.04%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Survey/Description	Population	Files Reviewed	Number of Violations	Error %
3	50 Ill. Adm. Code 919.50(a)(1)	Homeowner Closed Without Payment Claims – failure to provide written explanation of denial or lower offer with Notice of Availability	51	51	9	17.65%
4	50 Ill. Adm. Code 919.50(a)(1)	Homeowner Paid Claims – failure to provide written explanation of denial or lower offer with Notice of Availability	98	98	2	2.04%
26	50 Ill. Adm. Code 919.50(a)(1)	Private Passenger Auto 1 st Party Paid Claims – failure to provide written explanation of denial or lower offer with Notice of Availability	101	101	29	28.71%
34	50 Ill. Adm. Code 919.50(a)(2)	Private Passenger Auto 3 rd Party Closed Without Payment Claims – failure to provide written explanation of denial to third party	24	24	1	4.17%
25	50 Ill. Adm. Code 919.80(b)(2)	Private Passenger Auto 1 st Party Closed Without Payment Claims – failure to provide delay letter to 1st party in 40 days if claim is unresolved with Notice of Availability	53	53	1	1.89%
27	50 Ill. Adm. Code 919.80(b)(2)	Private Passenger Auto 1st Party Paid Claims – failure to provide delay letter to 1st party in 40 days if claim is unresolved with Notice of Availability	101	101	1	0.99%
32	50 Ill. Adm. Code 919.80(b)(2)	Private Passenger Auto 1st Party Total Loss Paid Claims – failure to provide delay letter to 1st party in 40 days if claim is unresolved with Notice of Availability	45	45	9	20.00%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Survey/Description	Population	Files Reviewed	Number of Violations	Error %
30	50 Ill. Adm. Code 919.80(b)(3)	Private Passenger Auto 3rd Party Paid Claims – failure to provide delay letter to 3rd party in 60 days if claim is unresolved with Notice of Availability	72	72	1	1.39%
33	50 Ill. Adm. Code 919.80(b)(3)	Private Passenger Auto 3rd Party Total Loss Paid Claims – failure to provide delay letter to 3rd party in 60 days if claim is unresolved with Notice of Availability	20	20	3	15.00%
35	50 Ill. Adm. Code 919.80(b)(3)	Private Passenger Auto 3rd Party Closed Without Payment Claims – failure to provide delay letter to 3rd party in 60 days if claim is unresolved with Notice of Availability	24	24	5	20.83%
39	50 Ill. Adm. Code 919.80(c)	Private Passenger Auto 1 st Party Total Loss Paid claims – failure to provide the insured with, at a minimum, the information contained in Exhibit A within 7 days after determining the vehicle a total loss	45	45	39	86.67%
6	50 Ill. Adm. Code 919.80(d)(7)(B)	Homeowner Closed Without Payment Claims – failure to provide explanation of delay with Notice of Availability to 1 st party insured if claim remains unresolved 75 days from date of report	51	51	1	1.96%
7	50 Ill. Adm. Code 919.80(d)(7)(B)	Homeowner Paid Claims – failure to provide explanation of delay with Notice of Availability to 1st party insured if claim remains unresolved 75 days from date of report	98	98	1	1.02%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Survey/Description	Population	Files Reviewed	Number of Violations	Error %
17	50 Ill. Adm. Code 9110.70(a)	Workers' Compensation Paid Claims – failure to provide TTD benefits to claimant within 14 days of notification of alleged inability to work or an explanation for the non-payment of TTD benefits	319	82	8	9.76%
28	50 Ill. Adm. Code 9110.70(a)	Workers' Compensation Closed Without Payment Claims – failure to provide TTD benefits to claimant within 14 days of notification of alleged inability to work or an explanation for the non-payment of TTD benefits	100	100	2	2.00%
24	820 ILCS 305/19(o)	Workers' Compensation Paid Claims Interrogatory # 1 – failure to provide a report by the 15 th day of each month of compensable claims incurred during the preceding month or a cumulative report of all claims incurred during a calendar year or continued from the previous year within 30 days after the end of that calendar year to the insured	319	82	82	100%

II. BACKGROUND

The company was originally incorporated in 1885 under the laws of Michigan as an assessment carrier with the title Michigan Mutual Windstorm Insurance Company. Amended and substituted articles of incorporation, adopted on January 1, 1959, changed the form of operation to that of a non-assessable, fixed premium general mutual and provided for the adoption of the present title, Hastings Mutual Insurance Company. From 1958 through 1978, fifteen small mutuals were merged into the company.

HMIC specializes in writing personal and commercial lines of insurance, particularly private passenger automobile, homeowners, workers' compensation, commercial multi-peril, farmowners and commercial automobile coverages. Business is produced through approximately 630 independent agents located throughout Michigan, Indiana, Ohio, Wisconsin, Illinois and Iowa. The company maintains a strong local market presence in its domiciliary state of Michigan, where it is one of the leading writers of farmowners and homeowners insurance. Consistent with its geographic diversification efforts, the company continues to increase its agency representation and premium volume in Indiana, Ohio, Wisconsin, Illinois and Iowa.

Hastings Mutual Insurance Company

2014 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC # 14176

	Line	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
01	Fire	\$300,645	\$305,612	\$66,773	\$78,209
02.1	Allied lines	\$207,335	\$207,825	\$324,556	\$370,740
03	Farmowners multiple peril	\$4,337,420	\$4,083,174	\$2,881,641	\$2,495,968
04	Home Owners multiple peril	\$3,399,565	\$3,422,734	\$3,434,869	\$3,215,886
05.1	Commercial multiple peril (non-liability portion)	\$2,558,953	\$2,518,354	\$1,455,916	\$1,307,822
05.2	Commercial multiple peril (liability portion)	\$2,549,009	\$2,432,145	\$707,037	\$1,025,723
06	Mortgage guaranty	\$0	\$0	\$0	\$0
08	Ocean Marine	\$6,951	\$7,599	\$1,690	\$1,845
09	Inland Marine	\$268,466	\$261,395	\$136,997	\$153,149
16	Workers' compensation	\$10,139,859	\$9,917,149	\$4,854,113	\$3,170,197
17.1	Other liability - occurrence	\$1,171,768	\$1,234,638	\$3,899	\$3,554
19.2	Private passenger auto liability	\$2,734,562	\$2,837,218	\$1,906,512	\$1,329,197
19.4	Other commercial auto liability	\$2,302,768	\$2,200,997	\$674,940	\$689,645
21.1	Private passenger auto physical damage	\$3,249,810	\$3,323,849	\$1,872,455	\$1,808,224
21.2	Commercial auto physical damage	\$701,337	\$659,722	\$1,044,844	\$1,029,282
35	Total	\$33,928,448	\$33,412,411	\$19,366,242	\$16,679,441

2015 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC # 14176

	Line	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
01	Fire	\$302,804	\$299,755	\$52,442	\$88,129
02.1	Allied lines	\$210,417	\$208,303	\$180,048	\$172,969
03	Farmowners multiple peril	\$4,750,298	\$4,580,352	\$2,000,329	\$2,221,355
04	Home Owners multiple peril	\$3,288,031	\$3,336,128	\$1,817,183	\$2,002,774
05.1	Commercial multiple peril (non-liability portion)	\$2,673,047	\$2,555,414	\$1,508,003	\$2,036,938
05.2	Commercial multiple peril (liability portion)	\$3,170,113	\$2,882,582	\$493,444	\$719,816
08	Ocean Marine	\$7,224	\$7,038	\$0	\$188
09	Inland Marine	\$261,970	\$259,943	\$57,679	\$45,371
16	Workers' compensation	\$11,340,230	\$10,881,831	\$4,676,505	\$5,806,985
17.1	Other liability - occurrence	\$1,375,055	\$1,330,721	\$0	\$28,764
19.2	Private passenger auto liability	\$2,839,111	\$2,753,039	\$1,668,375	\$1,613,785
19.4	Other commercial auto liability	\$2,555,859	\$2,408,791	\$1,398,380	\$473,978
21.1	Private passenger auto physical damage	\$2,953,473	\$3,024,024	\$1,439,133	\$1,430,843
21.2	Commercial auto physical damage	\$793,781	\$746,435	\$495,462	\$495,622
35	Total	\$36,521,413	\$35,274,356	\$15,786,983	\$17,137,517

2016 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC # 14176

	Line	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
01	Fire	\$289,676	\$295,681	\$56,500	\$15,834
02.1	Allied lines	\$199,317	\$203,796	\$205,194	\$163,191
03	Farmowners multiple peril	\$5,097,836	\$4,949,853	\$1,986,341	\$2,596,968
04	Home Owners multiple peril	\$3,258,213	\$3,259,910	\$2,322,013	\$1,965,046
05.1	Commercial multiple peril (non-liability portion)	\$2,782,104	\$2,748,337	\$2,044,118	\$2,512,391
05.2	Commercial multiple peril (liability portion)	\$3,350,576	\$3,117,993	\$1,073,020	\$2,425,989
08	Ocean Marine	\$4,646	\$6,085	\$10,842	\$10,882
09	Inland Marine	\$255,586	\$255,285	\$187,459	\$185,270
16	Workers' compensation	\$13,008,300	\$12,314,859	\$5,563,798	\$7,976,897
17.1	Other liability - occurrence	\$1,661,935	\$1,519,064	\$306	\$457,359
19.2	Private passenger auto liability	\$2,823,737	\$2,869,735	\$2,003,095	\$1,885,985
19.4	Other commercial auto liability	\$2,751,773	\$2,643,580	\$1,078,995	\$2,012,147
21.1	Private passenger auto physical damage	\$2,718,333	\$2,757,132	\$1,768,475	\$1,908,452
21.2	Commercial auto physical damage	\$890,973	\$838,065	\$606,242	\$714,109
35	Total	\$39,093,005	\$37,779,375	\$18,906,398	\$24,830,520

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:

- I. Risk Selection
- II. Underwriting
- III. Claims
- IV. Complaints
- V. Producer licensing

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 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. Random statistical printout reports were generated by the examiners and presented to the Company for retrieval.

Risk Selection

Cancellations and nonrenewals of existing policy holders 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.* and 820 ILCS 305/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

Complaints

Complaints were reviewed for completion, accuracy and validity of the complaint based on complaints received by the Department of Insurance and complaints received directly by the Company during the examination experience period.

Producer Licensing

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

IV. SELECTION OF SAMPLE

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
Risk Selection			
Private Passenger Auto Cancellations	392	90	22.96%
Private Passenger Auto Nonrenewals	21	21	100.00%
Homeowner Cancellations	753	97	12.88%
Homeowner Nonrenewals	12	12	100.00%
Dwelling Fire Cancellations	69	69	100.00%
Dwelling Fire Nonrenewals	2	2	100.00%
Workers' Compensation Nonrenewals	6	6	100.00%
Workers' Compensation Cancellations	131	75	57.25%
Underwriting			
Private Passenger Auto New Business	386	84	21.76%
Private Passenger Auto Renewals	4,018	115	2.86%
Homeowner New Business	386	84	21.76%
Homeowner Renewals	3,651	115	3.15%
Dwelling Fire New Business	21	21	100.00%
Dwelling Fire Renewals	647	85	13.14%
Workers' Compensation New Business	485	86	17.73%
Workers' Compensation Renewals	1,563	115	7.36%
Claims			
Private Passenger Auto 1 st Party Paid	101	101	100.00%
Private Passenger Auto 1 st Party CWP	53	53	100.00%
Private Passenger Auto 3 rd Party Paid	72	72	100.00%
Private Passenger Auto 3 rd Party CWP	24	24	100.00%
Private Passenger Auto Subrogation	19	19	100.00%
Private Passenger Auto 1 st Party Total Loss Paid	45	45	100.00%
Private Passenger Auto 3 rd Party Total Loss Paid	20	20	100.00%
Homeowner Paid	98	98	100.00%
Homeowner CWP	51	51	100.00%
Dwelling Fire Paid	10	10	100.00%
Dwelling Fire CWP	3	3	100.00%
Workers' Compensation Paid	319	82	25.71%
Workers' Compensation CWP	100	100	100.00%
Complaints			
Department Complaints	5	5	100.00%
Consumer Complaints	1	1	100.00%
Producers Licensing			
Producer Terminations	0	0	N/A
Producer Licensing	254	66	25.98%

V. FINDINGS

A. Risk Selection

1. Private Passenger Automobile Cancellations

No criticisms were found in the survey.

2. Private Passenger Automobile Nonrenewals

In two (2) policy files (9.52% of the 21 policy files reviewed) the Company was in violation of 215 ILCS 5/143.17(e) for failing to provide a specific explanation of the reason or reasons for nonrenewal.

In five (5) policy files (23.81% of the 21 policy files reviewed) the Company was in violation of 215 ILCS 5/143.19.1(g) for failing to give the required minimum 60 day notice of nonrenewal when the policy has been in effect for five (5) or more years.

3. Homeowner Cancellations

In six (6) Homeowner 1st 60 days Cancellation policy files (75.00% of the eight (8) policy files reviewed) the Company was in violation of 215 ILCS 5/143.15 for failing to provide a specific explanation of the reason or reasons for cancellation.

In one (1) Homeowner Mid-Term Cancellation policy file (16.67% of the six (6) policy files reviewed) the Company was in violation of 215 ILCS 5/143.15 for failing to provide a specific explanation of the reason or reasons for cancellation.

4. Homeowner Nonrenewals

In four (4) policy files (33.33% of the 12 policy files reviewed) the Company was in violation of 215 ILCS 5/143.17(e) for failing to provide a specific explanation of the reason or reasons for nonrenewal.

In one (1) policy file (8.33% of the 12 policy files reviewed) the Company was in violation of 215 ILCS 5/143.21.1 for failing to give the required minimum 60 day notice of nonrenewal when the policy has been in effect for five (5) or more years.

5. Dwelling Fire Cancellations

In seven (7) Dwelling Fire 1st 60 day Cancellation policy files (50.00% of the 14 policy files reviewed) the Company was in violation of 215 ILCS 5/143.15 for failing to provide a specific explanation of the reason or reasons for cancellation.

6. Dwelling Fire Nonrenewals

No criticisms were found in the survey.

7. Workers' Compensation Cancellations

No criticisms were found in the survey.

8. Workers' Compensation Nonrenewals

In one (1) policy file (16.67% of the six (6) policy files reviewed) the Company was in violation of 215 ILCS 5/143.17a(a) for failing to provide a specific explanation of the reason or reasons for nonrenewal.

B. Underwriting

1. Private Passenger Automobile New Business

In 10 policy files (11.90% of the 84 policy files reviewed) the Company failed to follow their underwriting manuals and rating plans filed with the IL Department of Insurance in violation of 50 Ill. Adm. Code 754.10(b)(1). The Company failed to apply the correct Passive Restraint discount in five (5) of the policy files that resulted in overcharges totaling \$16.00. The Company failed to retain a copy of the student's report card as required for application of a Good Student discount in four (4) policy files. In one (1) file the Company rated the insured for 25/50 underinsured motorist coverage that was not indicated in the Company's filed rules and rates.

2. Private Passenger Automobile Renewals

No criticisms were found in the survey.

3. Homeowner New Business

In one (1) policy file (1.19% of the 84 policy files reviewed) the Company failed to follow the underwriting manuals and rating plans filed with the IL Department of Insurance in violation of 50 Ill. Adm. Code 754.10(b)(1) by rating the property with an incorrect claim surcharge resulting in a premium overcharge of \$49.00. The Company provided a reimbursement payment of \$49.00 and the examiner mailed the payment to the insured.

4. Homeowner Renewals

In four (4) policy files (3.48% of the 115 policy files reviewed) the insured property is located in a mandatory mine subsidence county and the Company failed to include mine subsidence coverage on the policy or provide a waiver signed by the insured rejecting mine subsidence coverage in violation of 215 ILCS 5/805.1(a).

5. Dwelling Fire New Business

No criticisms were found in the survey.

6. Dwelling Fire Renewals

No criticisms were found in the survey.

7. Workers' Compensation New Business

No criticisms were found in the survey.

8. Workers' Compensation Renewals

No criticisms were found in the survey.

C. Claims

1. Private Passenger Automobile 1st Party Paid & Median

The median payment period was 8 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	96	95.0%
31-60	5	5.0%
61-90	0	0%
91-180	0	0%
181-365	0	0%
<u>Over 365</u>	<u>0</u>	<u>0%</u>
Total	101	100.00%

In 29 claim files (28.71% of the 101 claim files reviewed) the Company failed to provide the insured a reasonable written explanation of the lower offer or denial with the Notice of Availability on the explanation of the lower offer in violation of 50 Ill. Adm. Code 919.50(a)(1).

In one (1) claim file (0.99% of the 101 claim files reviewed) the Company failed to provide the insured a delay letter if a first party physical damage auto claim remains unresolved for 40 calendar days from the date of report in violation of 50 Ill. Adm. Code 919.80(b)(2).

2. Private Passenger Automobile 1st Party Closed Without Payment

In one (1) claim file (1.89% of the 53 claim files reviewed) the Company failed to provide the insured a delay letter if a first party physical damage auto claim remains unresolved for 40 calendar days from the date it is reported in violation of 50 Ill. Adm. Code 919.80(b)(2).

3. Private Passenger Automobile 3rd Party Paid & Median

The median payment period was 22 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	44	62.0%
31-60	15	21.1%
61-90	10	14.1%
91-180	1	1.4%
181-365	1	1.4%
<u>Over 365</u>	<u>0</u>	<u>0%</u>
Total	71	100.00%

In one (1) claim file (1.39% of the 72 claim files reviewed) the Company failed to provide the claimant with a delay letter if an automobile property damage liability claim remains unresolved for 60 calendar days from the date it is reported in violation of 50 Ill. Adm. Code 919.80(b)(3).

4. Private Passenger Automobile 3rd Party Closed Without Payment

In one (1) claim file (4.17% of the 24 claim files reviewed) the Company failed to provide the third party claimant with a reasonable written explanation of the basis of the denial in violation of 50 Ill. Adm. Code 919.50(a)(2).

In five (5) claim files (20.83% of the 24 claim files reviewed) the Company failed to provide the claimant with a delay letter if an automobile property damage liability claim remains unresolved for 60 calendar days from the date it is reported in violation of 50 Ill. Adm. Code 919.80(b)(3).

In one (1) claim file (4.17% of the 24 claim files reviewed) the Company was in violation of 50 Ill. Adm. Code 919.30(c) as the claim file failed to contain detailed documentation in order to permit reconstruction of the Company's activities relative to the claim.

5. Private Passenger Automobile Subrogation

In one (1) claim file (5.26% of the 19 claim files reviewed) the Company failed to reimburse the insured their pro rata deductible share as soon as such amount was collected when recovering directly from a third party by means of installments in violation of 215 ILCS 5/143b.

6. Private Passenger Automobile 1st Party Total Losses Paid

In nine (9) claim files (20.00% of the 45 claim files reviewed) the Company failed to provide the insured a delay letter if a first party physical damage auto claim remains unresolved for 40 calendar days from the date of report in violation of 50 Ill. Adm. Code 919.80(b)(2).

In 39 claim files (86.67% of the 45 claim files reviewed) the Company failed to provide the insured with, at a minimum, the information contained in Exhibit A within 7 days of declaring the vehicle a total loss in violation of 50 Ill. Adm. Code 919.80(c).

7. Private Passenger Automobile 3rd Party Total Losses Paid

In three (3) claim files (15.00% of the 20 claim files reviewed) the Company failed to provide the claimant with a delay letter if an automobile property damage liability claim remains unresolved for 60 calendar days from the date it is reported in violation of 50 Ill. Adm. Code 919.80(b)(3).

8. Homeowner Paid & Median

The median payment period was 23 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	57	60.00%
31-60	31	32.60%
61-90	2	2.10%
91-180	5	5.30%
181-365	0	0%
<u>Over 365</u>	<u>0</u>	<u>0%</u>
Total	95	100.00%

In two (2) claim files (2.04% of the 98 claim files reviewed) the Company failed to provide payment within 30 days of determining liability when the amount of the claim is determined and not in dispute in violation of 50 Ill. Adm. Code 919.50(a).

In two (2) claim files (2.04% of the 98 claim files reviewed) the Company failed to provide the insured a reasonable written explanation of the basis of the lower offer or denial with the Notice of Availability in violation of 50 Ill. Adm. Code 919.50(a)(1).

In one (1) claim file (1.02% of the 98 claim files reviewed) the Company failed to provide the insured a delay letter if a claim remains unresolved for 75 calendar days from the date of report in violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

9. Homeowner Closed Without Payment

In nine (9) claim files (17.65% of the 51 claim files reviewed) the Company failed to provide the insured a reasonable written explanation of the basis of the lower offer or denial with the Notice of Availability in violation of 50 Ill. Adm. Code 919.50(a)(1).

In one (1) claim file (1.96% of the 51 claim files reviewed) the Company failed to provide the insured a delay letter if a claim remains unresolved for 75 calendar days from the date of report in violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

10. Dwelling Fire Paid & Median

The median payment period was 24 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	6	60.0%
31-60	2	20.0%
61-90	1	10.0%
91-180	1	10.0%
181-365	0	0%
<u>Over 365</u>	<u>0</u>	<u>0%</u>
<u>Total</u>	<u>10</u>	<u>100.00%</u>

No criticisms were found in the survey.

11. Dwelling Fire Closed Without Payment

No criticisms were found in the survey.

12. Workers' Compensation Paid

In eight (8) claim files (9.76% of the 82 claim files reviewed) the Company, within 14 days of notification of the employee's alleged inability to work, failed to begin payment of TTD benefits to the employee, provide a written explanation of the basis for denial of TTD benefits to the employee or provide a written explanation of the information needed to determine their liability for payment of TTD benefits to the employee in violation of 50 Ill. Adm. Code 9110.70(a).

In nine (9) claim files (10.98% of the 82 claim files reviewed) the Company failed to pay the interest of 1% per month to the provider when not completing payment on medical bills within 30 days of receipt of the bill and possessing all elements necessary to adjudicate the bill in violation of 820 ILCS 305/8.2(d)(3). The Company issued payments totaling \$454.24 for interest owed to providers, and the examiner mailed the payments to the providers.

The Company responded to an Interrogatory confirming they are in violation of 820 ILCS 305/19(o) for failing to notify the insured by the 15th day of each month with a notice of any compensable claim incurred during the preceding month and the amounts paid or reserved on the claim, and a brief summary of the claim and a brief statement of the reasons for compensability to the policyholder. The Company also confirmed they do not provide a cumulative report of all claims incurred during a calendar year or continued from previous year within 30 days after the end of that calendar year.

13. Workers' Compensation Closed Without Payment

In two (2) claim files (2.00% of the 100 claim files reviewed) the Company, within 14 days of notification of the employee's alleged inability to work, failed to begin payment of TTD benefits to the employee, provide a written explanation of the basis for denial of TTD benefits to the employee or provide a written explanation of the information needed to determine their liability for payment of TTD benefits to the employee in violation of 50 Ill. Adm. Code 9110.70(a).

In three (3) claim files (3.00% of the 100 claim files reviewed) the Company failed to provide written notification of the basis for the denial to the provider within 30 days of receipt of the bill in violation of 820 ILCS 305/8.2(d)(2).

D. Policyholder Service

1. Department and Consumer Complaints

No criticisms were found in the survey.

2. Producer Licensing

No criticisms were found in the survey.

STATE OF ILLINOIS)
) ss
COUNTY OF SANGAMON)

Ron Cochran, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Acting Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Hastings Mutual Insurance Company, (the "Company"), NAIC 14176.

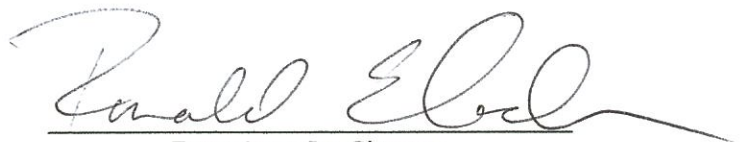
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

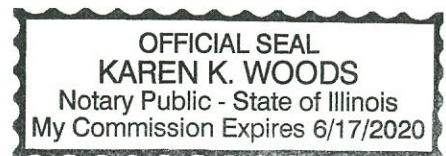
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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

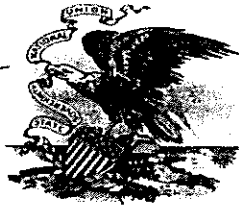
Subscribed and sworn to before me
this 4 day of January, 2018


Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

HASTINGS MUTUAL INSURANCE COMPANY
404 EAST WOODLAWN AVENUE
HASTINGS MI, 49058-1091

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, Hastings Mutual Insurance Company ("the Company"), NAIC 14176, 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 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 provide the insured a specific explanation of the reason or reasons for cancellation on as required by 215 ILCS 5/143.15.
2. Institute and maintain policies and procedures whereby the Company shall provide the insured a specific explanation of the reason or reasons for a homeowners nonrenewal as required by 215 ILCS 5/143.17(e).
3. Institute and maintain policies and procedures whereby the Company shall provide the insured a specific explanation of the reason or reasons for a workers' compensation nonrenewal as required by 215 ILCS 5/143.17a(a).
4. Institute and maintain policies and procedures whereby the Company shall mail to the insured the notice of nonrenewal at least 60 days before the date of nonrenewal as required by 215 ILCS 5/143.19.1(g).
5. Institute and maintain policies and procedures whereby the Company will use the rules, rates or rating plans, classifications or other schedules filed with the Illinois Department of Insurance when rating and issuing auto policies as required by 50 Ill. Adm. Code 754.10(b)(1).
6. Institute and maintain policies and procedures whereby the Company shall provide the insured an explanation of the basis of the lower offer or denial within 30 days after determination of liability and a Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1).
7. Institute and maintain policies and procedures whereby the Company shall provide the insured with, at a minimum, the information contained in Exhibit A, within 7 days of determination of the total loss as required by 50 Ill. Adm. Code 919.80(c).
8. Institute and maintain policies and procedures whereby the Company shall provide the insured with a reasonable written explanation for the delay when a claim remains unresolved for more than 40 days from the date it is reported as required by 50 Ill. Adm. Code 919.80(b)(2).
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, within 14 days of notification of an employee's alleged inability to work, begin payment of temporary total compensation if any is due, shall provide the employee with a written explanation of the basis for denial, or shall advise the employee in writing of the information needed to make a determination and provide an explanation why the requested information is necessary as required by 50 Ill. Adm. Code 9110.70(a).
11. 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. The company shall also 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 year as required by 820 ILCS 305/19(o).
12. Institute and maintain policies and procedures whereby the Company shall ensure interest is paid at a rate of one percent (1%) per month on any workers' compensation medical bill or portion unpaid within such 30 day period as required by 820 ILCS 305/8.2(d)(3).
13. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above twelve (12) orders within 30 days of execution of this Order.
14. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$28,450.00 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 HASTINGS MUTUAL INSURANCE COMPANY

Michael W. Puermer

Signature

Michael W. Puermer

Name

VP - Chief Legal Officer

Title

Subscribed and sworn to before me this
13 day of March 2018.

Bailey Ly

Notary Public

BAILEY LY
NOTARY PUBLIC - MICHIGAN
CALHOUN COUNTY
MY COMMISSION EXPIRES 01-31-2022
ACTING IN CALHOUN COUNTY



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 3/20/18

Jennifer Hammer

Jennifer Hammer
Director

