



Illinois Department of Insurance

JB Pritzker
Governor

Dana Popish Severinghaus
Director

VIA ELECTRONIC MAIL

June 14, 2023

Mr. Torben Ostergaard, President
c/o Mr. Peter Maloney
Spinnaker Insurance Company
1 Pluckemin Way, Suite 102
Bedminster, NJ. 07921

Re: Spinnaker Insurance Company, NAIC 24376
Hippo Analytics Inc.
Millennial Specialty Insurance LLC
Market Conduct Examination Report Closing Letter

Dear Mr. Ostergaard:

The Department has received your Company's proof of compliance. Therefore, the Department is closing its file on this exam.

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

Please contact me if you have any questions.

Sincerely,

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ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION

SPINNAKER INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: March 28, 2022 to November 30, 2022

EXAMINATION OF: Spinnaker Insurance Company (NAIC #24376)

LOCATION: 1 Pluckemin Way, Suite 102
Bedminster, NJ 07921

PERIOD COVERED: January 1, 2020, through December 31, 2021
(Complaints were reviewed for the period
January 1, 2020, through December 31, 2021)

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TABLE OF CONTENTS

I. SUMMARY	1
II. BACKGROUND	7
III. METHODOLOGY	8
IV. FINDINGS	11
A. Complaint Handling.....	11
1. Department of Insurance (“DOI”) Complaints	11
2. Consumer Complaints.....	11
B. Marketing and Sales.....	11
1. Company-generated Marketing	11
2. Producer-generated Marketing.....	11
3. Producer Training Materials	11
4. Producer Communications.....	11
C. Underwriting and Rating.....	11
1. Homeowners New Business	11
2. Homeowners Renewals.....	12
3. Dwelling Fire New Business	12
4. Dwelling Fire Renewals.....	12
5. Renters New Business.....	13
6. Renters Renewals.....	13
D. Risk Selection	13
1. Homeowners Cancellations – Less than 60 days.....	13
2. Homeowners Cancellations – Greater than 60 days	14
3. Homeowners Nonrenewed.....	14
4. Homeowners Rescinded.....	14
5. Dwelling Fire Cancellations – Less than 60 days.....	15
6. Dwelling Fire Cancellations – Greater than 60 days	15
7. Dwelling Fire Nonrenewed.....	15
8. Dwelling Fire Rescinded.....	15
9. Renters Cancellations – Less than 60 days.....	15
10. Renters Cancellations – Greater than 60 days	15
11. Renters Nonrenewed.....	15
12. Renters Rescinded.....	15
E. Claims	15
1. Homeowners Paid	15
2. Homeowners Closed Without Payment	16
3. Dwelling Fire Paid	16
4. Dwelling Fire Closed Without Payment	16
5. Renters Paid	16
6. Renters Closed Without Payment	16

I. SUMMARY

A targeted market conduct examination of Spinnaker Insurance Company (NAIC #24376), (herein referred to as “Company”) was performed to determine compliance with Illinois Statutes and the Illinois Administrative Code.

The lines of business under review initially included, Homeowners (“HO”), Dwelling Fire (“DF”), and Renters coverages. Since the Company stated it did not write Dwelling Fire policies in Illinois, no reviews were conducted for that coverage.

The following represents general findings from issued criticisms; however, specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS						
Crit #	Statute/ Rule	Description of Violation	Findings	Files Reviewed	No. of Violations	Error %
1	50 Ill. Admin. Code 753.20(a)	Underwriting and Rating – Renters New Business: Company failed to include required information at the head of the policy.	C.5	116	116	100.0%
2	215 ILCS 5/143c(1) and 50 Ill. Admin. Code 931.40(c)	Underwriting and Rating – Renters New Business: Company’s notices to insureds failed to include the Company’s complaint department address.	C.5	116	116	100.0%
3	215 ILCS 5/143c(2) and 50 Ill. Admin. Code 931.40(a)	Underwriting and Rating – Renters New Business: Company’s notices to insureds failed to include the address of the Public Services Division of the Illinois Department of Insurance (“ILDOI”).	C.5	116	116	100.0%
4	50 Ill. Admin. Code 919.80(d) (7)(b)	Claims – Homeowners Paid: Company failed to include the Notice of Availability of the Department of Insurance on the claim delay letter.	E.1	108	1	0.9%
5	50 Ill. Admin. Code 919.50(a)	Claims – Homeowners Paid: Company failed to offer payment within 30 days after affirmation of liability.	E.1	108	1	0.9%
6	50 Ill. Admin. Code 919.50(a) (1)	Claims – Homeowners Paid: Company failed to include the Notice of Availability of the Department of Insurance on the denial letter.	E.1	108	2	1.9%
7	50 Ill. Admin. Code 919.80(d) (7)(b)	Claims – Homeowners Paid: Company failed to send written explanation for the delay of claim payment to the insured.	E.1	108	2	1.9%
11	215 ILCS 5/143.14(a)	Risk Selection – Renters Cancellations less than 60 days: Company failed to provide proof of mailing of the cancellation notice.	D.9	93	91	97.8%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/ Rule	Description of Violation	Findings	Files Reviewed	No. of Violations	Error %
12	215 ILCS 5/154.6(h)	Claims – Homeowners Paid: Company initially failed to pay the claim without conducting a reasonable investigation.	E.1	108	1	0.9%
16 and 55	215 ILCS 5/143.14(a)	Risk Selection – Renters Cancellations greater than 60 days: Company failed to provide proof of mailing of the cancellation notice.	D.10	116	116	100.0%
17	215 ILCS 5/143.22	Risk Selection – Homeowners Nonrenewed: Company failed to include notice of the Illinois Fair Plan in the nonrenewal notice.	D.3	84	3	3.6%
18	215 ILCS 5/143.17(e)	Risk Selection – Homeowners Nonrenewed: Company’s notice failed to include a specific explanation of the reason for nonrenewal.	D.3	84	16	19.0%
19	215 ILCS 5/143.17(d)	Risk Selection – Homeowners Nonrenewed: Company failed to provide proof of mailing of the nonrenewal notice.	D.3	84	10	11.9%
20	215 ILCS 5/143.23	Risk Selection – Homeowners Nonrenewed: Company failed to provide notice of the Right to Appeal in the nonrenewal notice.	D.3	84	84	100.0%
21 & 30	50 Ill. Admin. Code 919.50(a) (1)	Claims – Homeowners Closed Without Payment: Company failed to include the Notice of Availability of the Department of Insurance in the denial letter.	E.2	105	28	26.7%
22	50 Ill. Admin. Code 919.80(d) (7)(b)	Claims – Homeowners Closed Without Payment: Company failed to send written explanation for the delay of claim payment to the insured.	E.2	105	2	1.9%
23	215 ILCS 5/423(1)	Risk Selection – Homeowners Nonrenewed: Company failed to comply with its policies and procedures by applying a nonrenewal reason from another carrier’s guidelines.	D.3	84	1	1.2%
24	215 ILCS 157/40(a) and 50 Ill. Admin. Code 754.10(b)	Underwriting and Rating – Homeowners New Business: Company failed to file the TransUnion TrueRisk model 2.0.	C.1	116	n/a	n/a
25	50 Ill. Admin. Code 754.10(b)	Underwriting and Rating – Homeowners New Business: Company failed to file the mapping structure used to convert insurance scores.	C.1	116	n/a	n/a

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/ Rule	Description of Violation	Findings	Files Reviewed	No. of Violations	Error %
26	215 ILCS 5/154.6(d)	Claims – Homeowners Paid: Company issued payment when payment was not due.	E.1	108	1	0.9%
27	50 Ill. Admin. Code 919.30(c)	Claims – Homeowners Paid: Company failed to provide detailed documentation in the claim file to permit reconstruction of all activities.	E.1	108	4	3.7%
28	215 ILCS 5/154.6(b)	Claims – Homeowners Paid: Company failed to acknowledge with reasonable promptness pertinent communications related to a claim.	E.1	108	2	1.9%
29	215 ILCS 157/35(2)	Underwriting and Rating – Homeowners New Business: Company used generalized terms in credit adverse action notices.	C.1	116	111	95.7%
31 and 56	50 Ill. Admin. Code 919.30(c)	Claims – Homeowners Closed Without Payment: Company failed to provide detailed documentation in the claim file to permit reconstruction of all activities.	E.2	105	15	14.3%
32	50 Ill. Admin. Code 919.50(a) (1)	Claims – Homeowners Closed Without Payment: Company failed to issue payment or send a denial letter to the insured.	E.2	105	1	1.0%
33 and 76	50 Ill. Admin. Code 919.80(d) (7)(b)	Claims – Renters Paid: Company failed to send written explanation for the delay of claim payment to the insured.	E.5	76	5	6.6%
34 and 77	215 ILCS 5/154.6(b)	Claims – Renters Paid: Company failed to acknowledge with reasonable promptness pertinent communication related to a claim.	E.5	76	2	2.6%
35	215 ILCS 5/143.17(a)	Risk Selection – Homeowners Nonrenewed: Company failed to send nonrenewal notices with 30 days advance notice.	D.3	84	2	2.4%
36	215 ILCS 5/143.15	Risk Selection – Homeowners Cancellations less than 60 days: Company failed to provide 30 days’ advance notice of cancellation for insurer-initiated cancellations.	D.1	115	13	11.3%
37	215 ILCS 5/143.15	Risk Selection – Homeowners Cancellations less than 60 days: Company failed to provide 10 days’ advance notice of cancellation for nonpayment of premium.	D.1	115	11	9.6%
38	215 ILCS 5/133(2) and 215 ILCS 5/132(2)	Risk Selection – Homeowners Cancellations less than 60 days: Company failed to provide record of the insured’s request to cancel.	D.1	115	21	18.3%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/ Rule	Description of Violation	Findings	Files Reviewed	No. of Violations	Error %
39	215 ILCS 5/143.14(a)	Risk Selection – Homeowners Cancellations less than 60 days: Company failed to send notice of cancellation to the lienholder.	D.1	115	24	20.9%
40	215 ILCS 5/143.23	Risk Selection – Homeowners Cancellations less than 60 days: Company failed to include the Right to Appeal in the cancellation notice.	D.1	115	20	17.4%
41	215 ILCS 5/143.17(a)	Risk Selection – Homeowners Nonrenewed: Company failed to send the nonrenewal notice to the lienholder.	D.3	84	54	64.3%
42	215 ILCS 5/805.1(a)	Underwriting and Rating – Homeowners New Business: Company failed to obtain Mine Subsidence Coverage waivers.	C.1	116	6	5.2%
43	50 Ill. Admin. Code 753.10(a) and 215 ILCS 5/143(2)	Underwriting and Rating – Renters New Business: Company failed to use the filed applications.	C.5	116	116	100.0%
44	215 ILCS 5/429	Underwriting and Rating – Renters New Business: Company added optional endorsement without consumer consent.	C.5	116	23	19.8%
45	215 ILCS 5/1003(A)(2)	Underwriting and Rating – Homeowners New Business: Company failed to provide policyholder the specific reason for the policy rescission.	C.1	116	4	3.4%
46	215 ILCS 5/143.15	Underwriting and Rating – Homeowners New Business: Company failed to provide 10 days’ notice of cancellation for nonpayment of premium.	C.1	116	5	4.3%
47	215 ILCS 5/143(2) and 50 Ill. Admin. Code 753.10(a)	Underwriting and Rating – Homeowners New Business: Company used declarations that had not been filed with the ILDOI.	C.1	116	112	96.6%
48	215 ILCS 5/143.17 (b-5)	Underwriting and Rating – Homeowners Renewals: Company failed to provide notice of a coverage restriction at least 60 days prior to renewal.	C.2	116	56	48.3%
49	215 ILCS 5/429(1)	Underwriting and Rating – Renters New Business: Company added optional endorsement without consumer consent.	C.5	116	23	19.8%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/ Rule	Description of Violation	Findings	Files Reviewed	No. of Violations	Error %
50	215 ILCS 5/143.15	Risk Selection – Homeowners Cancellations greater than 60 days: Company failed to provide 10 days’ notice of cancellation for nonpayment of premium.	D.2	115	1	0.9%
52	215 ILCS 5/143.23	Risk Selection – Homeowners Cancellations greater than 60 days: Company failed to include the Right to Appeal in the cancellation notice.	D.2	115	3	2.6%
57	215 ILCS 5/155.45(e) (1)	Underwriting and Rating – Homeowners New Business: Company issued certificates of insurance containing false and misleading information.	C.1	116	8	6.9%
58	215 ILCS 5/423(1)	Underwriting and Rating – Homeowners New Business: Company failed to provide advance notice after renewal premium wasn’t paid, as required by the contract.	C.1	116	n/a	n/a
59	215 ILCS 5/805.1(a)	Underwriting and Rating – Homeowners Renewals: Company failed to obtain Mine Subsidence Coverage waivers.	C.2	116	5	4.3%
60	215 ILCS 5/154.6(d)	Claims – Renters Paid: Company issued payment for an amount different than the amount that was due.	E.5	76	2	2.6%
61 and 72	50 Ill. Admin. Code 919.30(c)	Claims – Renters Paid: Company failed to provide detailed documentation in the claim file in order to permit reconstruction of all activities.	E.5	76	6	7.9%
62	50 Ill. Admin. Code 919.50(a)(1)	Claims – Renters Paid: Company failed to provide the insured a reasonable written explanation of the basis of the lower offer.	E.5	76	1	1.3%
64	215 ILCS 5/143.15	Risk Selection – Renters Cancellations greater than 60 days: Company failed to send cancellation notices containing the correct reason for cancellation.	D.10	116	2	1.7%
65	215 ILCS 5/132(2)	Risk Selection – Homeowners Cancellations greater than 60 days: Company failed to retain documentation related to the delay in issuing refunds.	D.2	115	3	2.6%
66	215 ILCS 5/133(2)	Risk Selection – Homeowners Cancellations greater than 60 days: Company failed to maintain supporting documentation related to refunds.	D.2	115	63	54.8%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/ Rule	Description of Violation	Findings	Files Reviewed	No. of Violations	Error %
67	50 Ill. Admin. Code 919.30(c)	Claims – Renters Closed Without Payment: Company failed to provide detailed documentation in the claim file in order to permit reconstruction of all activities.	E.6	82	8	9.8%
68	50 Ill. Admin. Code 919.50(a) (1)	Claims – Renters Closed Without Payment: Company failed to include the Notice of Availability of the Department of Insurance in the denial letter.	E.6	82	8	9.8%
69	50 Ill. Admin. Code 919.80(d) (7)(b)	Claims – Renters Closed Without Payment: Company failed to include the Notice of Availability of the Department of Insurance in the delay of claim payment letter.	E.6	82	1	1.2%
70	215 ILCS 5/143.14(a)	Risk Selection – Homeowners Cancellations greater than 60 days: Company failed to maintain proof of mailing of the cancellation notice.	D.2	115	44	38.3%
71	215 ILCS 5/143.14(a)	Risk Selection – Homeowners Cancellations less than 60 days: Company failed to maintain proof of mailing of the cancellation notice.	D.1	115	72	62.6%
73	215 ILCS 5/143(2) and 50 Ill. Admin. Code 753.10	Underwriting and Rating – Homeowners New Business: Company used applications which had not been filed with the ILDOI.	C.1	116	113	97.4%
75	50 Ill. Admin. Code 926.50	Consumer Complaints: Examiner’s discovered two (2) written consumer complaints that were not included on the Company’s Complaints Records Log.	A.2	0	n/a	n/a
79	215 ILCS 5/143.15	Underwriting and Rating – Homeowners New Business: Company failed to provide the required number of days’ advance notice of cancellation for insurer-initiated cancellations.	C.1	116	8	6.9%

II. BACKGROUND

The examination is of Spinnaker Insurance Company (NAIC #24376) (herein referred to as “Spinnaker” or “Company”).

Spinnaker was formed as American General Indemnity Company on July 28, 1986, to write credit life, guaranteed asset protection, collateral protection, and involuntary unemployment insurance. In 2006, the Company exited credit business and entered into a 100% indemnity agreement with AEGON. The Company went into runoff in 2009.

In 2012, the Company was sold to White Mountain Solutions Holding Company (“White Mountain”) and changed its name from American General Indemnity Company to Woodridge Insurance Company. The Company continued in runoff and no new business was written.

Sojourner Holding Company LLC (“Sojourner”) acquired the Company on September 24, 2015, pursuant to a Stock Purchase Agreement with White Mountain. The Company changed its name from Woodridge Insurance Company to Spinnaker Insurance Company on January 27, 2016. Under Sojourner, Spinnaker started writing admitted insurance products through Program Administrators, focusing almost exclusively on short-tail business with an emphasis on homeowners, renters, and small commercial business.

Today, Spinnaker is a wholly-owned, indirect subsidiary of Hippo Enterprises Inc. (“Hippo”). Hippo acquired Spinnaker pursuant to a Stock Purchase Agreement with Sojourner. Spinnaker’s home state regulator, Illinois Department of Insurance, approved the Form A relating to the Hippo acquisition on August 3, 2020, and Spinnaker became a part of the Hippo group of companies as of August 30, 2020. Spinnaker continues to write business through Program Administrators focusing on short-tail business. Spinnaker currently is licensed and writes business in all 50 states and Washington DC.

As of December 31, 2020, the Company’s written premiums in Illinois for the lines of business subject to the scope of this examination were as follows:

Spinnaker Insurance Company						
Line of Business	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Unearned Premium (\$)	Direct Losses Paid (\$)	Direct Losses Incurred (\$)	Direct Losses Unpaid (\$)
Homeowners	11,149,884	8,719,288	6,131,147	8,012,992	10,499,160	3,447,930
Dwelling Fire	0	0	0	0	0	0
Other Liability - occurrence	109,700	48,188	66,975	0	16,614	16,614
Totals	11,259,584	8,767,476	6,198,122	8,012,292	10,515,774	3,464,544

III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems, procedures and guidelines used in dealing with insureds and claimants. The period under review was generally January 1, 2020 through December 31, 2021. The following categories were the areas examined:

- A. Complaint Handling
- B. Marketing and Sales
- C. Underwriting and Rating
- D. Risk Selection
- E. Claims

The review of these categories was accomplished through examination of individual policy and claim files, the Company's procedures, written interrogatories, interviews with the Company's personnel, and other applicable information. Each category was examined for compliance with Illinois Department of Insurance ("DOI") rules and regulations, and applicable state laws.

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

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

Complaint Handling

DOI Complaints and Consumer Complaints for the period January 1, 2020 through December 31, 2021, were reviewed for compliance with applicable state laws and the Company's own guidelines.

DOI Complaints – The population request for this category consisted of complaints received from the DOI during the examination period. The Company's complaint registry was reconciled with the individual file information and the DOI records to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Consumer Complaints – The population request for this category consisted of complaints received directly from consumers during the examination period. If populated, the Company's complaint registry would have been reconciled with the individual file information to determine the completeness and accuracy of the data recorded. However, the Company stated that "to the best of its knowledge, there have been no Consumer Complaints during the examination period."

Marketing and Sales

Marketing and sales materials were reviewed to evaluate the representations made by the Company about its products or services and for compliance with applicable state laws and the Company's own guidelines.

The examiners requested the Company's advertising and marketing manual; procedures for the approval of any advertising developed by brokers or agents; a listing of all advertising and marketing materials used by the Company during the examination period; and producer training manuals.

The reviews included judgmental sampling from the listing of materials provided by the Company.

Underwriting and Rating

The underwriting samples consisted of new and renewal business.

The new business sample was randomly selected based on the inception date occurring during the examination period. Policies were reviewed for rating accuracy, use of filed rates, use of filed forms, and for compliance with applicable state laws and the Company's own guidelines.

The renewal business sample was randomly selected based on the renewal date occurring during the examination period. Policies were reviewed for use of filed rates, use of filed forms, and for compliance with applicable state laws and the Company's own guidelines.

Risk Selection

Cancellations, Nonrenewals and Rescissions were reviewed for compliance with applicable state laws, the Company's own guidelines, and to ensure reasons for termination were valid and not unfairly discriminatory.

Random samples were selected based on transactions occurring during the examination period.

Claims

Claims were selected based on settlement occurring within the examination period. Claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1, et seq.) and the Illinois Administrative Code (50 Ill. Admin. Code 101 et seq.).

Separate samples were selected for first-party and third-party claims. For each, separate samples were developed for both paid claims and those closed without payment ("CWP").

SELECTION OF SAMPLES		
	Sample Size	% Reviewed
Complaint Handling		
DOI Complaints	3	100.00%
Consumer Complaints	0	0.00%
Marketing and Sales		
Company-generated Marketing	0	0.00%
Producer-generated Marketing	402	1.20%
Producer Training Materials	21	100.00%
Producer Communications	5	100.00%
Underwriting and Rating		
HO New Business	116	0.80%
HO Renewals	116	1.80%
DF New Business	0	0.00%
DF Renewals	0	0.00%
Renters New Business	116	0.80%
Renters Renewals	116	1.20%
Risk Selection		
HO Cancellations – Less than 60 days	115	4.30%
HO Cancellations – Greater than 60 days	115	5.00%
HO Nonrenewed	84	40.20%
HO Rescinded	0	0.00%
DF Cancellations – Less than 60 days	0	0.00%
DF Cancellations – Greater than 60 days	0	0.00%
DF Nonrenewed	0	0.00%
DF Rescinded	0	0.00%
Renters Cancellations – Less than 60 days	93	22.20%
Renters Cancellations – Greater than 60 days	116	1.30%
Renters Nonrenewed	0	0.00%
Renters Rescinded	0	0.00%
Claims		
HO – Paid	108	6.90%
HO – CWP	105	12.50%
DF – Paid	0	0.00%
DF – CWP	0	0.00%
Renters – Paid	76	70.40%
Renters – CWP	82	31.80%

IV. FINDINGS

A. Complaint Handling

1. Department of Insurance (“DOI”) Complaints

- No violations were noted.

2. Consumer Complaints

- The examiners requested a listing of all consumer complaints received during the Examination Period. The Company stated, “MSI confirmed that to the best of their knowledge, they had no Illinois consumer complaints during the examination period” and “Hippo had some consumer complaints during the examination period but confirmed that, to the best of their knowledge, none were from Illinois consumers.”
- However, during the review of underwriting and claims files, the examiners discovered two (2) written consumer complaints which were not included on the Company’s Complaints Records Log, thereby violating 50 Ill. Admin. Code 926.50. (Crit #075).

B. Marketing and Sales

1. Company-generated Marketing

- When asked for Company-generated advertising, the Company responded:
- “Spinnaker does not advertise in any media directly to consumers. Any advertising or marketing materials utilized by a Program Administrator/MGA that directly references the Company must be approved in advance by the Company.”

2. Producer-generated Marketing

- When asked for producer-generated advertising, the Company responded,
- “There are no producer-generated advertising materials used by Hippo that were ‘approved’ by Spinnaker as Hippo didn’t have any advertising materials that specifically referenced either Spinnaker Insurance Company or a Spinnaker policy form. Although there are no advertising materials that specifically referenced either Spinnaker Insurance Company or a Spinnaker policy form, Hippo advertised in Illinois.”
- The Company provided 33,057 Hippo-related producer-generated materials for review. Of which, the examiners judgmentally selected 402 for review.
- No violations were noted.

3. Producer Training Materials

- No violations were noted.

4. Producer Communications

- No violations were noted.

C. Underwriting and Rating

1. Homeowners New Business

- In general, the Company failed to file the TransUnion TrueRisk model 2.0, thereby violating 215 ILCS 157/40(a) and 50 Ill. Admin. Code 754.10(b). (Crit #024).
- In general, the Company failed to file the mapping structure used to convert the insurance scores, thereby violating 50 Ill. Admin. Code 754.10(b). (Crit #025).

- In 111 files (95.7% of the 116 examined), the Company used generalized terms in credit adverse action notices, such as, “Unfortunately, the rate we assigned to your homeowners policy is not our lowest rate due to your current insurance score,” thereby violating 215 ILCS 157/35(2). (Crit #029).
 - In six (6) files (5.2% of the 116 examined), the Company failed to provide Mine Subsidence Waivers for those properties where coverage or a signed waiver is required, thereby violating 215 ILCS 5/805.1(a). (Crit #042).
 - In four (4) files (3.4% of the 116 examined), the Company failed to provide policyholder the specific reason for policy rescission, thereby violating 215 ILCS 5/1003(A)(2). (Crit #045). (Note that the Company represented there were no rescissions for any line of business.)
 - In five (5) files (4.3% of the 116 examined), the Company voided policies back to inception for premium not collected prior to policy inception or binding. The Company retroactively terminated policies and did not provide at least a 10-day notice for nonpayment cancellation when payment failure was not due to payment being dishonored by a financial institution, thereby violating 215 ILCS 5/143.15. (Crit #046).
 - In 112 files (96.6% of the 116 examined), the Company used declarations that have not been filed, thereby violating 215 ILCS 5/143(2) and 50 Ill Admin. Code 753.10(a). (Crit #047).
 - In eight (8) files (6.9% of the 116 examined), the Company issued *Evidence of Property Insurance - ACORD 27(3/93)* and ultimately rescinded the contracts. Based on the Company’s voidance of the policies, the Company issued certificates of insurance containing false and misleading information, thereby violating 215 ILCS 5/155.45(e)(1). (Crit #057).
 - In general, the Company failed to provide advance notice after renewal premium was not paid as required by contract. Unilateral waiver of policyholders’ favorable contractual provisions is an unfair and deceptive act, thereby violating 215 ILCS 5/423(1). (Crit #058).
 - In 113 files (97.4% of the 116 examined), the Company used applications which had not been filed with the Illinois Department of Insurance, thereby violating 215 ILCS 5/143(2) and 50 Ill. Admin. Code 753.10. (Crit #073).
 - In eight (8) files (6.9% of the 116 examined), the Company failed to provide the required number of days’ advanced notice of cancellation for insurer-initiated cancellations, thereby violating 215 ILCS 5/143.15. (Crit #079).
2. Homeowners Renewals
 - In 56 files (48.3% of the 116 examined), the Company failed to provide notice of a coverage restriction at least 60 days prior to renewal, thereby violating 215 ILCS 5/143.17(b-5). (Crit #048).
 - In five (5) files (4.3% of the 116 examined), the Company failed to obtain Mine Subsidence Waivers for those properties where coverage or a signed waiver is required, thereby violating 215 ILCS 5/805.1(a). (Crit #059).
 3. Dwelling Fire New Business
 - Since the Company provided no data for this review, it was not conducted.
 4. Dwelling Fire Renewals
 - Since the Company provided no data for this review, it was not conducted.

5. Renters New Business

- In 116 files (100.0% of the 116 examined), the Company failed to issue policies to its insureds that included the name of the Company, location of the Home Office of the Company, and a statement of the company organization type at the head of the policy, thereby violating 50 Ill. Admin. Code 753.20(a). (Crit #001).
- In 116 files (100.0% of the 116 examined), the Company failed to provide compliant notices to insureds containing the Company's complaint department address, thereby violating 215 ILCS 5/143c(1) and 50 Ill. Admin. Code 931.40(c). (Crit #002).
- In 116 files (100.0% of the 116 examined), the Company failed to provide compliant notices to insureds containing the address of the Public Services Division of the Department of Insurance, thereby violating 215 ILCS 5/143c(2) and 50 Ill. Admin. Code 931.40(a). (Crit #003).
- In 116 files (100.0% of the 116 examined), the Company used applications differing from the applications filed, thereby violating 50 Ill. Admin. Code 753.10(a) and 215 ILCS 5/143(2). (Crit #043).
- In 23 files (19.8% of the 116 examined), the Company attached the optional "Forced Entry Theft Endorsement TFE EN 01 16" to policies without the consumer's consent in violation of 215 ILCS 5/429.. (Crit #044).
- In 23 files (19.8% of the 116 examined), the Company attached the optional "Pet Damage Endorsement PET EN2 06 17" without the consumer's consent in violation of 215 ILCS 5/429(1). (Crit #049).

6. Renters Renewals

- No violations were noted.

D. Risk Selection

1. Homeowners Cancellations – Less than 60 days

- In 13 files (11.3% of the 115 examined), the Company failed to provide the required 30 days' advanced notice of cancellation for insurer-initiated cancellations, thereby violating 215 ILCS 5/143.15. (Crit #036).
- In 11 files (9.6% of the 115 examined), the Company failed to provide the required 10 days' advanced notice of cancellation for nonpayment of premium, thereby violating 215 ILCS 5/143.15. (Crit #037).
- In 21 files (18.3% of the 115 examined), the reason for cancellation was coded as "*Insured Request*," however, the examiner was unable to locate forms signed by the insured, emails from the insureds/agents, or audio recordings indicating the insured requested to cancel the policies. Therefore, the Company failed to retain records and maintain complete files for the purposes of examination, thereby violating 215 ILCS 5/133(2) and 215 ILCS 5/132(2). (Crit #038).
- In 24 files (20.9% of the 115 files examined), the Company failed to retain evidence in the files that the notice of cancellation was sent to the mortgagee/lienholder listed on the policy, thereby violating 215 ILCS 5/143.14(a). (Crit #039).
- In 20 files (17.4% of the 115 examined), the Company failed to include the Right to Appeal in the cancellation notice to the named insured, thereby violating 215 ILCS 5/143.23. (Crit #040).
- In 72 files (62.6% of the 115 examined), the Company failed to provide proof of mailing for the notice sent to the policyholder for the cancelled policy, thereby violating 215 ILCS 5/143.14(a). (Crit #071).

2. Homeowners Cancellations – Greater than 60 days
 - In one (1) file (0.9% of the 115 examined), the Company failed to provide the required 10 days' advanced notice of cancellation for nonpayment of premium, thereby violating 215 ILCS 5/143.15. (Crit #050).
 - In three (3) files (2.6% of the 115 examined), the Company failed to include the Right to Appeal in the cancellation notice to the named insured, thereby violating 215 ILCS 5/143.23. (Crit #052).
 - In three (3) files (2.6% of the 115 examined), the Company failed to issue refunds within a reasonable time after the cancellation effective date, in accordance with its own policy language within the form numbers listed in the table below for each file. The Company also did not maintain its files by retaining supporting documentation pertaining to the delay in issuing refunds to its policyholders. Therefore, the Company failed to retain all records and documentation relating to its business, thereby violating 215 ILCS 5/132(2). (Crit #065).
 - In 63 files (54.8% of the 115 examined), the Company failed to maintain supporting evidence pertaining to refunds, such as cancelled checks or transaction reports that identify the insured and/or policy number, and therefore, it did not preserve and reproduce its original books and records for the purpose of examination, thereby violating 215 ILCS 5/133(2). (Crit #066).
 - In 44 files (38.3% of the 115 examined), the Company failed to provide proof of mailing for the notice sent to the policyholder for the cancelled policy, thereby violating 215 ILCS 5/143.14(a). (Crit #070).
3. Homeowners Nonrenewed
 - In three (3) files (3.6% of the 84 examined), the Company failed to include the notice of the Illinois Fair Plan for the State of Illinois within the nonrenewal notices, thereby violating 215 ILCS 5/143.22. (Crit #017).
 - In 16 files (19.0% of the 84 examined), the Company's written notice to the named insured failed to include a specific explanation of the reason(s) for nonrenewal, thereby violating 215 ILCS 5/143.17(e). (Crit #018).
 - In 10 files (11.9% of the 84 examined), the Company failed to provide Proof of Mailing for the notice sent to the policyholder for the nonrenewed policy, thereby violating 215 ILCS 5/143.17(d). (Crit #019).
 - In 84 files (100.0% of the 84 examined), the Company failed to provide notice of the Right to Appeal within the nonrenewal notice, thereby violating 215 ILCS 5/143.23. (Crit #020).
 - In one (1) file (1.2% of the 84 examined), the Company applied a non-renewal reason from another carrier's guidelines in error, violating the Company's own policies and procedures. The Company's inconsistent application of its policies and procedures resulted in an unfair method of competition, thereby violating 215 ILCS 5/423(1). (Crit #023).
 - In two (2) files (2.4% of the 84 examined), the Company failed to provide evidence a nonrenewal notice was mailed to the insured with at least 30 days advance notice, thereby violating 215 ILCS 5/143.17(a). (Crit #035).
 - In 54 files (64.3% of the 84 examined), the Company failed to provide documentation that the notice of nonrenewal was sent to the mortgagee/lender listed on the policy, thereby violating 215 ILCS 5/143.17(a). (Crit #041).
4. Homeowners Rescinded
 - Since the Company provided no data for this review, it was not conducted.

5. Dwelling Fire Cancellations – Less than 60 days
 - Since the Company provided no data for this review, it was not conducted.
6. Dwelling Fire Cancellations – Greater than 60 days
 - Since the Company provided no data for this review, it was not conducted.
7. Dwelling Fire Nonrenewed
 - Since the Company provided no data for this review, it was not conducted.
8. Dwelling Fire Rescinded
 - Since the Company provided no data for this review, it was not conducted.
9. Renters Cancellations – Less than 60 days
 - In 91 files (97.8% of the 93 examined), the Company failed to provide Proof of Mailing for the notice sent to the policyholder for the cancelled policy, thereby violating 215 ILCS 5/143.14(a). (Crit #011).
10. Renters Cancellations – Greater than 60 days
 - In 116 files (100.0% of the 116 examined), the Company failed to provide Proof of Mailing for the notice sent to the policyholder for the cancelled policy, thereby violating 215 ILCS 5/143.14(a). (Crit #016 and Crit #055).
11. Renters Nonrenewed
 - Since the Company provided no data for this review, it was not conducted.
12. Renters Rescinded
 - Since the Company provided no data for this review, it was not conducted.

E. Claims

1. Homeowners Paid

- In one (1) file (0.9% of the 108 examined), the Company sent a delay letter that did not include the Notice of Availability of the Department of Insurance, thereby violating 50 Ill. Admin. Code 919.80(d)(7)(b). (Crit #004).
- In one (1) file (0.9% of the 108 examined), the Company failed to offer payment within 30 days after affirmation of liability, thereby violating 50 Ill. Admin. Code 919.50(a). (Crit #005).
- In two (2) files (1.9% of the 108 examined), the Company sent a denial letter that did not include the Notice of Availability of the Department of Insurance, thereby violating 50 Ill. Admin. Code 919.50(a)(1). (Crit #006).
- In two (2) files (1.9% of the 108 examined), the Company failed to send a written explanation for the delay to the insured, thereby violating 50 Ill. Admin. Code 919.80(d)(7)(b). (Crit #007).
- In one (1) file (0.9% of the 108 examined), the Company initially failed to pay the claim without conducting a reasonable investigation based on all available information, thereby violating 215 ILCS 5/154.6(h). (Crit #012).
- In one (1) file (0.9% of the 108 examined), the Company issued payment when none was due and the claim should have been denied, thus failing to effectuate fair and equitable settlement of claims, thereby violating 215 ILCS 5/154.6(d). (Crit #026).
- In four (4) files (3.7% of the 108 examined), the Company failed to provide detailed documentation in the claims file in order to permit reconstruction of all the Company's activities relative to the claim file, thereby violating 50 Ill. Admin. Code 919.30(c). (Crit #027).
- In two (2) files (1.9% of the 108 examined), the Company failed to acknowledge with reasonable promptness pertinent communications with respect to a claim presented for Additional Living Expense (ALE), thereby violating 215 ILCS 5/154.6(b). (Crit #028).

2. Homeowners Closed Without Payment
 - In 28 files (26.7% of the 105 examined), the Company sent a denial letter that did not include the Notice of Availability of the Department of Insurance, thereby violating 50 Ill. Admin. Code 919.50(a)(1). (Crit #021 and Crit #030).
 - In two (2) files (1.9% of the 105 examined), the Company failed to send a written explanation for the delay to the insured, thereby violating 50 Ill. Admin. Code 919.80(d)(7)(b). (Crit #022).
 - In 15 files (14.3% of the 105 examined), the Company failed to provide detailed documentation in the claims file to permit reconstruction of all the Company's activities relative to the claim file, thereby violating 50 Ill. Admin. Code 919.30(c). (Crit #031 and Crit #056).
 - In one (1) file (1.0% of the 105 examined), the Company did not issue a payment or send a denial letter to the insured after receiving a claim letter suggesting denial of the claim from another insurance company, thereby violating 50 Ill. Admin. Code 919.50(a)(1). (Crit #032).
3. Dwelling Fire Paid
 - Since the Company provided no data for this review, it was not conducted.
4. Dwelling Fire Closed Without Payment
 - Since the Company provided no data for this review, it was not conducted.
5. Renters Paid
 - In five (5) files (6.6% of the 76 examined), the Company failed to send a written explanation for the delay to the insured, thereby violating 50 Ill. Admin. Code 919.80(d)(7)(b). (Crit #033 and Crit #076).
 - In two (2) files (2.6% of the 76 examined), the Company failed to acknowledge with reasonable promptness pertinent communications with respect to a claim, thereby violating 215 ILCS 5/154.6(b). (Crit #034 and Crit #077).
 - In two (2) files (2.6% of the 76 examined), the Company issued payment for an amount different than what was due resulting in an improper payment, thus failing to effectuate fair and equitable settlement of claims, thereby violating 215 ILCS 5/154.6(d). (Crit #060).
 - In six (6) files (7.9% of the 76 examined), the Company failed to provide detailed documentation in the claims file in order to permit reconstruction of all the Company's activities relative to the claim file, thereby violating 50 Ill. Admin. Code 919.30(c). (Crit #061 and Crit #072).
 - In one (1) file (1.3% of the 76 examined), the Company failed to provide the insured a reasonable written explanation of the basis of the lower offer for settlement of the claim, thereby violating 50 Ill. Admin. Code 919.50(a)(1). (Crit #062).
6. Renters Closed Without Payment
 - In eight (8) files (9.8% of the 82 examined), the Company failed to provide detailed documentation in the claims file to permit reconstruction of all the Company's activities relative to the claim file, thereby violating 50 Ill. Admin. Code 919.30(c). (Crit #067).
 - In eight (8) files (9.8% of the 82 examined), the Company sent a denial letter that did not include the Notice of Availability of the Department of Insurance, thereby violating 50 Ill. Admin. Code 919.50(a)(1). (Crit #068).
 - In one (1) file (1.2% of the 82 examined), the Company sent a delay letter that did not include the Notice of Availability of the Department of Insurance, thereby violating 50 Ill. Admin. Code 919.80(d)(7)(b). (Crit #069).



IN THE MATTER OF:

**SPINNAKER INSURANCE COMPANY
1 PLUCKEMIN WAY, SUITE 102
BEDMINSTER, NJ. 07921**

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, Spinnaker Insurance Company, (“the Company”), NAIC 24376, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

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

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report covering the examination period of January 1, 2020, through December 31, 2021, which is an official document of the Department; and

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

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

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

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

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

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

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

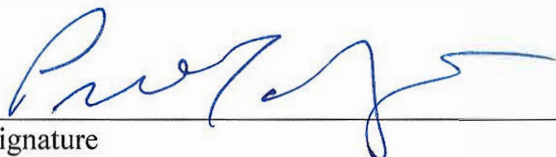
THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall include required information at the head of the policy. 50 Ill Adm Code 753.20(a)
2. Institute and maintain policies and procedures whereby the Company shall include the Company's complaint department address. 215 ILCS 143c(1) and 50 Ill Adm Code 931.40(c)
3. Institute and maintain policies and procedures whereby the Company shall include the address of the Public Services Division of the Illinois Department of Insurance ("ILDOI"). 215 ILCS 5/143c(2) and 50 Ill Adm Code 931.40(a)
4. Institute and maintain policies and procedures whereby the Company shall include the Notice of Availability of the Department of Insurance on the denial letter. 50 Ill Adm Code 919.50(a)(1)
5. Institute and maintain policies and procedures whereby the Company provide proof of mailing of the cancellation notice. 215 ILCS 5/143.14(a)
6. Institute and maintain policies and procedures whereby the Company shall include a specific explanation of the reason for nonrenewal. 215 ILCS 5/143.17(e)
7. Institute and maintain policies and procedures whereby the Company shall provide proof of mailing of the nonrenewal notice. 215 ILCS 5/143.17(d)
8. Institute and maintain policies and procedures whereby the Company shall provide notice of the Right to Appeal in the nonrenewal notice. 215 ILCS 5/143.23
9. Institute and maintain policies and procedures whereby the Company shall file the TransUnion TrueRisk model 2.0. 215 ILCS 157/40(a) and 50 Ill Adm Code 754.10(b)
10. Institute and maintain policies and procedures whereby the Company shall file the mapping structure used to convert insurance scores. 50 Ill Adm Code 754.10(b)
11. Institute and maintain policies and procedures whereby the Company shall provide detailed documentation in the claim file to permit reconstruction of all activities. 50 Ill Adm Code 919.30(c)

12. Institute and maintain policies and procedures whereby the Company shall not use generalized terms in credit adverse action notices. 215 ILCS 157/35(2)
13. Institute and maintain policies and procedures whereby the Company shall send nonrenewal notices with 30 days advance notice. 215 ILCS 5/143.17(a)
14. Institute and maintain policies and procedures whereby the Company shall provide 30 days' advance notice of cancellation for insurer-initiated cancellations. 215 ILCS 5/143.15
15. Institute and maintain policies and procedures whereby the Company shall provide record of the insured's request to cancel. 215 ILCS 5/133(2) and 215 ILCS 5/132(2)
16. Institute and maintain policies and procedures whereby the Company shall obtain Mine Subsidence Coverage waivers. 50 Ill Adm Code 753.10(a) and 215 ILCS 5/143(2)
17. Institute and maintain policies and procedures whereby the Company shall use the filed applications. 215 ILCS 5/143(2) and 50 Ill Adm. Code 753.10(a)
18. Institute and maintain policies and procedures whereby the Company shall not use declarations that have not been filed with the ILDOI. 215 ILCS 5/143(2) and 50 Ill Adm. Code 753.10
19. Institute and maintain policies and procedures whereby the Company shall provide notice of a coverage restriction at least 60 days prior to renewal. 215 ILCS 5/143.17(b-5)
20. Institute and maintain policies and procedures whereby the Company shall not add optional endorsement without consumer consent. 215 ILCS 5/429(1)
21. Institute and maintain policies and procedures whereby the Company shall maintain supporting documentation related to refunds. 215 ILCS 5/133(2)
22. Institute and maintain policies and procedures whereby the Company shall record all consumer complaints on the Company's Complaints Records Log. 50 Ill Adm Code 926.50
23. Institute and maintain policies and procedures whereby the Company shall provide advance notice after renewal premium wasn't paid, as required by the contract. 215 ILCS 5/423(1)
24. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above twenty-three (23) orders within thirty (30) days of execution of this Order.
25. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$185,000.⁰⁰ to be paid within ten (10) days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of SPINNAKER INSURANCE COMPANY



Signature

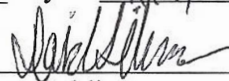
Peter T. McLooney

Name

General Counsel + Corporate Secretary

Title

Subscribed and sworn to before me this
11th day of May 2023.



Notary Public

DAVID S. SILBERMAN
Notary Public, State of New Jersey
Comm. # 50159410
My Commission Expires 6/4/2026



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE _____

Dana Popish-Severinghaus

Dana Popish-Severinghaus
Director

