



Department of
Insurance

**TARGET MARKET CONDUCT EXAMINATION
OF
MOTORISTS MUTUAL INSURANCE COMPANY**

AS OF DECEMBER 31, 2009

**BY THE MARKET CONDUCT DIVISION OF
THE OHIO DEPARTMENT OF INSURANCE**



Department of
Insurance

Ted Strickland, Governor
Mary Jo Hudson, Director

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Honorable Mary Jo Hudson
Director
Ohio Department of Insurance
50 West Town Street
Columbus, Ohio 43215

Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a target market conduct examination was conducted on the Ohio business of:

Motorists Mutual Insurance Company
NAIC Company Code 14621

The examination was conducted at the Company's home office located at:

471 East Broad Street, Columbus, Ohio 43215,

and at the offices of the Ohio Department of Insurance located at:

50 West Town Street, Columbus, Ohio 43215.

A report of the examination is enclosed.

Respectfully submitted,



Lynette A. Baker
Chief, Market Conduct



Date

Accredited by the National Association of Insurance Commissioners (NAIC)

Consumer Hotline: 1-800-686-1526

Fraud Hotline: 1-800-686-1527

OSHIIP Hotline: 1-800-686-1578

TDD Line: (614) 644-3745

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SCOPE OF EXAMINATION

The examination of Motorists Mutual Insurance Company (“Company”) was conducted in conjunction with the 2009 statutory financial risk assessment. Unless otherwise noted, the examination covered the period from January 1, 2008 through December 31, 2009.

Along with file reviews, the market conduct examiners reviewed the Company’s compliance programs, computer processes and procedures for auto policy terminations and claim settlements. This was accomplished through interviews and reviews of internal audit reports and applicable manuals. The intent of the review was to determine where risks of non-compliance might be prevalent, as well as whether the Company’s practices resulted in compliance.

The examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and Ohio’s applicable statutes and regulations. The examination included the following areas of the Company’s operations:

- A. Automobile Policy Terminations
- B. Paid Claims
- C. Denied Claims

This report is a report by test.

METHODOLOGY

The examination was conducted through a review of the new business records and claim files for the Company’s private passenger automobile and property insurance products. The examiners also reviewed the Company’s corresponding procedure manuals. As needed, the examiners also interviewed Company managers and submitted written requests for additional information.

Only files for Ohio insureds, policyholders or claimants were reviewed. Compliance tests, designed to measure the Company’s level of compliance with Ohio’s statutes and regulations, were applied to the files. All tests are described and the results displayed in this report.

All tests are expressed as a “yes/no” question. A “yes” response indicates compliance and a “no” response indicates a failure to comply. The results of each test applied to a sample are reported separately.

The examiners used the NAIC standards of:

- 7% error ratio on claim tests (93% compliance rate) and
- 10% error ratio on all other tests (90% compliance rate)

to determine whether or not an apparent pattern or practice of non-compliance existed for any given test. Except as otherwise noted, all tests were conducted on a random sample taken from a given population of new business or claims records.

In any instance where errors were noted, the Examiners described the apparent error and asked the Company for a written response. The Company responded that it:

- concurred with the examiners' findings, and/or
- had additional information for the examiners to consider, and/or
- proposed remedial action(s) to correct the apparent deficiency.

The Company's responses and the examiners' recommendations, as applicable, are included in this report.

COMPANY OPERATIONS

Motorists Mutual Insurance Company, was incorporated in November, 1928, and a certificate of authority was issued the same month. The Company is a domestic, mutual, property and casualty insurance company. The Company operates in Ohio, Indiana, Kentucky, Michigan, Pennsylvania, and West Virginia. The Company's products are marketed to individuals and small commercial risks through an independent agency force.

As of December 31, 2009 the Company reported direct written premiums of:

<u>Lines of Business</u>	<u>Ohio Premiums</u>	<u>Grand Total Premiums</u>
Private Passenger Automobile	\$99,134,065	\$143,880,247
Homeowner Multi-peril	\$58,709,581	\$87,145,560
Commercial Multi-peril	\$18,542,591	\$34,933,607
Total Direct Written Premiums	<u>\$239,837,693</u>	<u>\$412,763,693</u>

As of December 31, 2009 the Company officers were:

John Jacob Bishop	CEO
Michael L. Wiseman	Treasurer
Susan Elizabeth Haack	Secretary
David Lynn Kaufman	Senior VP, CIO

AUTOMOBILE POLICY TERMINATIONS

The examination scope focused on Company initiated policy terminations other than nonpayment of premium. The examiners chose this area of focus based on findings reported by other jurisdictions, including Kentucky and Pennsylvania.

The examiners tested to determine whether the Company's:

1. cancellations were for permitted reasons and provided at least the minimum number of days required by statute.
2. "non-renewals" conformed with the statutory definition of "declined to renew."
3. forms for all types of terminations conformed with the applicable statutory requirements.

Methodology:

For all tests the examiners:

1. defined the populations as policies in force more than 89 days before the date of the Company generated a policy termination notice.
2. excluded all policy terminations initiated at the insured request or for nonpayment of premium.
3. counted each policy termination “transaction” as a single record. Accordingly, it was possible for a single policy to appear in a population or a sample more than once.
4. used the policy termination effective date to identify unique records.
5. randomly selected all samples, unless otherwise noted.
6. counted multiple errors on one policy termination as a single error.

The examiners’ findings appear below.

Automobile Nonrenewal

Standard: Cancellation/non-renewal notices comply with policy provisions, state laws and Company guidelines.

Test: Did the Company’s “non-renewal” practices conform with the RC 3937.31(A)(4)?

Test Methodology: The examiners selected a sample from the Company’s policy termination data reported as “nonrenewals.”

The examiners took exception if the termination:

- did not meet the statutory definition of “refusal to renew”;
- was effective at other than the two year anniversary of the policy’s inception date;
- was effective with less than 30 days notice;
- notice lacked the statutory required text wording and information.

Findings:

Population	Sample	Yes	No	Standard	Compliance
110	50	36	14	90%	72%

The compliance standard is 90%. The Company’s practices failed to meet this standard.

Examiners' Comments

The statutory definition of "refusal to renew" per RC 3937.31 is:

(B)(4) An insurer's refusing for any reason to renew a policy upon its expiration at the end of any mandatory period, provided such nonrenewal complies with the procedure set forth in section 3937.34 of the Revised Code.

It is apparent from the examiners' findings that the Company's non-renewal procedures do not take into consideration this statutory definition when initiating non-renewal notices.

Six errors were policies terminated using the Company's non-renewal procedures. However, these terminations were instead "cancellations" per RC 3937.31(A)(1)-(4).

The remaining 8 errors were not permissible terminations.

Regardless of whether or not the termination was a "refusal to renew" or a "cancellation" each insured received a minimum of 30 days notice.

The examiners are especially concerned as these same errors were also identified by examiners from the Commonwealth of Kentucky in 2006. The findings appeared in their market conduct examination report issued March 9, 2007.

It would appear that enough time elapsed between the publication of Kentucky's findings and the beginning of Ohio's examination period for the Company to review and, as needed, correct its policy termination procedures and practices in all its operating states, including Ohio.

Failure to create and maintain accurate, effective policy termination procedures deprives consumers of the basic protections in these Sections of the Ohio Revised Code.

With these issues in mind, the examiners make the recommendations below.

Examiners' Recommendations:

These recommendations apply to all jurisdictions in which the Company operates.

1. The Company shall develop and implement policy termination procedures that accurately distinguish between "cancellations" and "refusal(s) to renew."
2. These revised procedures shall include provisions for accurate identification and coding to allow the Company to accurately identify both kinds of policy terminations.
3. The Company shall monitor and enforce the policy termination procedures, including conducting routine compliance audits.
4. The Company shall make available upon the Superintendent's request, copies of its procedures and compliance practices, including audits.

Automobile Cancellations Other than Nonpayment

Standard: Cancellation/non-renewal notices comply with policy provisions, state laws and Company guidelines.

Test: Did the Company cancellation procedures conform to R.C. 3937.30, 3937.31, 3937.32, and 3937.33?

Test Methodology:

The examiners considered the following to be exceptions:

1. Any cancellation effective with less than 30 days notice to the insured;
2. Any cancellation notice that lacked the required information and appeal notice; and,
3. Any policy cancelled for a reason other than:
 - a. the insured moving to a state where the Company is not licensed to write automobile insurance;
 - b. loss of driving privileges; or
 - c. material misrepresentation by the insured.

In the course reviewing the policy termination data from the Company, the examiners found that most of population of 1401 terminations were reported with termination reasons other than “nonrenewal” or “midterm cancellation.” The examiners anticipated that a random sample of just the records reported as “midterm cancellation” would not provide enough information to evaluate the Company’s policies and procedures.

After removing the terminations to cancel a MMIC auto policy and issue another written by an affiliated company, the examiners identified the specific groups of cancellations by “reason” type and selected random samples.

Findings:

Termination Reason	Population	Sample	Yes	No	Standard	Compliance
Midterm Cancellation	106	25	49	1	90%	98%
Moved out of issue state	54	54	47	7	90%	87%
Company Request	141	25	21	4	90%	84%
Returned Check not coded as nonpayment of premium	96	25	25	0	90%	100%

Examiners’ Comment

During the examination period, the Company initiated cancellation whenever it was notified that an insured moved from the policy issue state. This practice applied regardless of whether or not an insured moved to one of the states where the Company was licensed to write insurance. Accordingly, consumers were denied the protections provided in RC 3937.30 through 3937.33.

The Company revised this procedure during the on-site examination. Accordingly, no additional corrections are needed for this particular practice.

The records identified as “Company Request” included policy terminations that the Company identified as “nonrenewals.” Like the findings above, it is essential that the Company develop procedures to accurately distinguish between nonrenewals and mid-term cancellations.

Among the findings was the failure to allow a minimum of 30 days notice for either cancellation or nonrenewal. The examiners are especially concerned that the Company lacks automated system controls to prevent any underwriter from terminating a policy with less than the statutorily required minimum notice.

Examiners’ Recommendations

These recommendations are in addition to those listed above and apply to all jurisdictions in which the Company operates.

1. The Company shall develop and deploy in its automated data systems protocols which prevent generating any notices with less than the minimum required notice.
2. These protocols must be established in such a way that system users cannot override or otherwise circumvent the controls.

PAID CLAIMS

Timely Initial Contact

Standard: The initial contact by the Company with the claimant is within the required time frame.

Test: Upon first notice of the claim, including notice made to its agents, did the Company make timely response, per Ohio Adm.Code 3901-1-54(F)(2)?

Test Methodology:

- The definition of “initial contact” included telephone notice of the claim to the Company, or its agent, from the insured, third party claimant, and/or legal representative.
- The examiners included in the definition of “notice” of claim, the date the Company, through its investigation, had enough information to identify and contact a claimant.
- The examiners considered that any initial contact to a first notice of loss where more than ten (10) days elapsed to be an exception.
- The examiners considered that any instance where initial contact to a first notice of loss was not documented to be an exception.

Findings:

Claim Element	Population	Sample	Yes	No	Standard	Compliance
Collision Total Losses	2,254	49	49	0	93%	100%
Comprehensive Total Losses	44	44	44	0	93%	100%
Property Damage Total Losses	1,281	49	49	0	93%	100%
Bodily Injury	2,506	49	49	0	93%	100%
UMBI	332	50	49	1	93%	98%
HO Structure	16,109	100	99	1	93%	98%
HO Contents	5,599	100	100	0	93%	100%
Dwelling Structure	779	50	50	0	93%	100%
MH Structure	121	50	50	0	93%	100%
MH Contents	44	44	7	0	93%	100%

The standard for compliance is 93%, the findings for the Company's claim practices exceeded this standard on all tests.

Examiners' Comments:

Errors were solely instances where claims reported to agents were delayed in being reported to the Company. Although the Company's practices exceeded the minimums for the timeliness standards, the examiners have requested that the Company take the actions listed below.

Examiners' Recommendations:

1. The Company will distribute to all agents writing in Ohio a bulletin instructing them to make prompt report of any claim submitted to them.
2. Agents are to be instructed to report claim notices from insureds and/or third party claimants regardless of whether or not the agent anticipates there is any "claim" to be made.

Timely Response to Pertinent Claims Communications

Standard: The Company responds to claim communications in a timely manner.

Test: Did the Company respond to any communication from a claimant, when that communication suggests a response is appropriate, within 15 calendar days per Adm.Code 3901-1-54(F)(3)?

Findings:

Claim Element	Population	Sample	Yes	No	Standard	Compliance
Collision Total Losses	2,254	49	49	0	93%	100%
Comp Total Losses	44	44	44	0	93%	100%
PD Total Losses	1,281	49	49	0	93%	100%
Bodily Injury	2,506	49	45	4	93%	90%
UMBI	332	50	41	9	93%	82%
HO Structure	16,109	100	100	0	93%	100%

Claim Element	Population	Sample	Yes	No	Standard	Compliance
HO Contents	5,599	100	100	0	93%	100%
Dwelling Structure	779	50	50	0	93%	100%
MH Structure	1,221	50	50	0	93%	100%
MH Contents	44	44	44	0	93%	100%

The standard for compliance is 93%, the findings for the Company's claim practices exceeded this standard on all tests except Bodily Injury and Uninsured/Underinsured Motorists Bodily Injury. The examiners' comments and recommendations follow.

Examiners' Comments:

The Company recognized that there were significant issues with timely response. During the examination period, the Company disciplined the adjusters responsible for the bulk of untimely responses to claims communications. As of this date none of these adjusters continue to work for the Company.

Upon receiving the examiners' findings, the Company implemented additional controls to make certain adjusters make timely response to all claim communications. It appears that these additional controls can be reasonably anticipated to assure timely response to claim correspondence. Accordingly, the examiners make no further recommendations.

Timely Settlement

Standard: Claims are resolved in a timely manner.

Test: Did the Company make timely payment to:

first party claimants no later than 10 calendar days after acceptance per Adm.Code 3901-1-54(G)(6)

and/or

third party claimants no later than 5 calendar days from the date the claim amount is known and agreed per Adm.Code 3901-1-07(C)(16)?

Findings:

Claim Element	Population	Sample	Yes	No	Standard	Compliance
Collision Total Losses	2,254	49	49	0	93%	100%
Comprehensive Total Losses	44	44	44	0	93%	100%
Property Damage Total Losses	1,281	49	48	1	93%	98%
Bodily Injury	2,506	49	49	0	93%	100%
UMBI	332	50	50	0	93%	100%
HO Structure	16,109	100	100	0	93%	100%
HO Contents	5,599	100	100	0	93%	100%
Dwelling Structure	779	50	50	0	93%	100%
MH Structure	1,221	50	49	1	93%	98%

Claim Element	Population	Sample	Yes	No	Standard	Compliance
MH Contents	44	44	44	0	93%	100%

The standard for compliance is 93%, the findings for the Company’s claim practices exceeded this standard on all tests.

Fair and Reasonable Settlement

Standard: Claim files are handled in accordance with policy provisions and applicable statutes, rules and regulations.

Test: Were the Company’s claim settlements free of any and all prohibited unfair practices?

Findings:

Claim Element	Population	Sample	Yes	No	Standard	Compliance
Collision Total Losses	2,254	49	49	0	93%	100%
Comprehensive Total Losses	44	44	44	0	93%	100%
Property Damage Total Losses	1,281	49	49	0	93%	100%
Bodily Injury	2,506	49	49	0	93%	100%
UMBI	332	50	49	1	93%	98%
HO Structure	16,109	100	99	1	93%	99%
HO Contents	5,599	100	100	0	93%	100%
Dwelling Structure	779	50	50	0	93%	100%
MH Structure	121	50	50	0	93%	100%
MH Contents	44	44	44	0	93%	100%

The standard for compliance is 93%, the findings for the Company’s claim practices exceeded this standard on all tests.

Total Loss Auto Claims—Actual Cash Value

Standard: Claims are properly handled in accordance with policy provisions, and applicable statutes rules and regulations.

Test: Did the Company calculate actual cash value on total losses in a manner that conformed to Adm.Code 3901-1-54 (H) (6) (a-d) and (H) (7) (a-e)?

Findings

Claim Element	Population	Sample	Yes	No	Standard	Compliance
Collision	2,254	49	49	0	93%	100%
Comprehensive	44	44	44	0	93%	100%
Property Damage	1,281	49	49	0	93%	100%

The standard for compliance is 93%, the findings for the Company’s claim practices exceeded this standard on all tests.

Total Loss Auto Claims—Sales Tax

Standard: Claims are properly handled in accordance with policy provisions, and applicable statutes rules and regulations.

Test: Did the Company conform to the sales tax provisions of Adm.Code 3901-1-54(H)(6)(c) and (H)(7)(f) & (g)?

Findings:

Claim Element	Population	Sample	Yes	No	Standard	Compliance
Collision	2,254	49	49	0	93%	100%
Comprehensive	44	44	43	1	93%	98%
Property Damage	1,281	49	49	0	93%	100%

The standard for compliance is 93%, the findings for the Company’s claim practices exceed this standard.

Total Loss Auto Claims—File documentation

Standard: Claim files are adequately documented

Test: Was the Company’s valuation of owner retained salvage documented in a manner that permitted the examiners to reconstruct the Company’s claim settlement activities per Adm.Code 3901-1-54(D)(1) and (2)?

Claim Element	Population	Sample	Yes	No	Standard	Compliance
Collision	2,254	49	48	1	93%	98%
Comprehensive	44	44	31	13	93%	70%
Property Damage	1,281	49	45	4	93%	92%

The standard for compliance is 93%, the findings for the Comprehensive and Property Damage samples are below this standard. The examiners’ comments and recommendations follow.

Examiners’ Comments:

Many times, the Company offers total loss claimants the option to retain the salvage. The Company uses a proprietary salvage value data base to determine a fair salvage value. This resource provides the adjusters with information on recent salvage recoveries on vehicles with similar damage. The examiners considered this practice separately from the Company’s calculation of the ACV on the total loss vehicle settlements.

In each error identified, the Company's adjusters failed to document using this resource before making the salvage offer. Without documentation, the examiners could not completely reconstruct this part of the claim process.

The findings for the tests to the Property Damage and Comprehensive tests were less than the 93% minimum standard for claims tests. Accordingly, the examiners' recommendations are listed below.

Examiners' Recommendations:

1. The Company shall develop and implement claim settlement procedures that require enough documentation to reconstruct claim settlement activities.
2. The Company shall enforce claim settlement procedures, including conducting routine compliance audits, to make certain claim records contain information sufficient to reconstruct the claim settlement activities.
3. The Company shall make available upon the Superintendent's request, copies of its claim procedures and compliance practices, including audits.

Structural Fire Losses

Standard: Claims are properly handled in accordance with policy provisions, and applicable statutes rules and regulations.

Test : Did the Company's claim file document that the adjuster confirmed that property taxes on the structure were "current" before making any payment on the fire loss claim per RC 3929.86(A) & (B)?

Test Methodology

For this test the examiners changed the examination period for this test is in consideration of changes the Company made to its procedures in September, 2009. The examination period for these tests was restricted to claims reported during calendar year 2009.

To select records to test for compliance the examiners identified claims where the loss was:

1. to a structure,
2. caused by fire, and
3. the damages paid on the loss were \$5,000 or more.

Of those claims identified, the examiners separated the personal lines from commercial lines claims. This distinction was made in consideration that these two different policy types might be settled by two different groups of adjusters. These records were tested for compliance to the Section cited above.

The examiners considered the following actions to be compliant with the requirements of the statute cited above.

1. Data secured by the adjuster as respects the property taxes was considered equivalent to documentation provided by the insured.
2. Information from any public record as to the status of tax payments due on the property was considered equivalent to any “certificate” that might be issued by a county treasurer.

The examiners took exception to the Company’s claim practices if the claim file lacked documentation that the adjuster :

1. secured current tax data before issuing claim payment in full or in part.
2. made payment of any “past due” property taxes on the insured location before making any settlement payment to the insured and/or the insured’s contractor.

Findings

Claim Type	Population	Yes	No	Standard	Compliance
Personal Lines	50	20	30	93%	40%
Commercial Lines	17	10	7	93%	59%

Examiners’ Comments:

The sole cause of these exceptions was a lack of documentation that the adjuster confirmed that there were no outstanding property taxes before issuing payment on the claim.

In September, 2009 following the results of an internal claims audit, the Company distributed a reminder of its procedures to all adjusters. At the same time, the Company changed its procedures and required adjusters to check the tax lien status of all structure fire losses regardless of the amount of the claim.

The examiners found that these actions resulted in improved compliance with the Sections cited above. Accordingly, the examiners make no further recommendations.

Standard: Claims are properly handled in accordance with policy provisions, and applicable statutes rules and regulations.

Test : Did the Company’s claim file document that the adjuster determined whether the structure was located in a municipality where a “demolition fund” ordinance applied per RC 3929.86(C) & (D)?

Findings

Population	Sample	Yes	No	Standard	Compliance
14	14	10	4	93%	72%

The standard for compliance is 93%, the findings are below this standard. The examiners’ comments and recommendations follow.

Examiners’ comments:

The sole cause of these exceptions was a lack of documentation that the adjuster investigated whether or not a structure was located in a municipality where a demolition fund ordinance applied. The examiners wish to underscore that this finding is solely an issue of file and record documentation. As shown in the test below, the Company’s adjusters conformed with the requirements of RC 3929.86, including making payments to municipal escrow funds, if required.

Examiners’ recommendations:

1. The Company shall develop and implement claim settlement procedures that require enough documentation to reconstruct claim settlement activities.
2. The Company shall enforce claim settlement procedures, including conducting routine compliance audits, to make certain claim records contain information sufficient to reconstruct the claim settlement activities.
3. The Company shall make available upon the Superintendent’s request, copies of its claim procedures and compliance practices, including audits.

Test : Did the Company’s claim file document that the adjuster’s claim settlement conformed with the “demolition fund” statute as per RC 3929.86(C) & (D), including escrow payment if required?

Findings

Population	Sample	Yes	No	Standard	Compliance
14	14	14	0	93%	100%

The standard for compliance is 93%, the findings for the Company’s claim practices exceed this standard.

DENIED CLAIMS

Methodology All Claim Denied Tests:

Like its peers in the insurance industry, the Company does not capture information on claims closed without payment that permit it to distinguish between claims denied and claims closed with no payment for other reasons. Accordingly, the examiners reviewed samples of claims closed without payment. To that purpose:

1. The size of the “population” is the total number of records the Company identified as “closed without payment.”
2. Samples of 400 claims closed without payment were selected.
3. Each claim was assigned a unique “order” number. The records were reviewed in this order to preserve the random selection.
4. Each claim was reviewed to determine whether the claim was “denied” or otherwise “closed without payment.”

5. Any claim that was denied was tested for compliance with the standards below. All others were removed from the sample.
6. For each sample the examiners reviewed records until a minimum sample of 50 “denied” claims was tested or the entire population was reviewed, whichever came first.

Standard: Claims are resolved in a timely manner.

Test: Did the Company deny the claim no later than 21 days of receipt of properly executed proof of loss OR provide required notices that additional time needed to investigate per Adm.Code 3901-1-54(G)(1)?

Findings:

Claim Element	Population	Sample	Yes	No	Standard	Compliance
Collision	3,763	2	2	0	93%	100%
Property Damage	2,283	50	50	0	93%	100%
Bodily Injury	918	50	50	0	93%	100%
UMBI	401	7	7	0	93%	100%
HO Structure	4,046	50	50	0	93%	100%
HO Contents	2,108	50	47	3	93%	94%
Dwelling Structure	252	50	49	1	93%	98%
MH Structure	7	7	7	0	93%	100%
MH Contents	7	7	7	0	93%	100%

The standard for compliance is 93%, the findings for the Company’s claim practices exceed this standard.

Standard: “Denied” claims are handled in accordance with policy provisions and state law.

Test: Was the Company’s claims investigation appropriate and did the results of the investigation support the Company’s settlement decision per Ohio Adm.Code Sections 3901-1-07(C)(14) and 3901-1-54(G)(1,2,3 and 5)?

Qualifying Tests:

- a. Did the Company’s claim file document and support the Company’s decision to deny coverage for this loss?
- b. Did the Company comply with the requirement prohibiting denial of a claim solely due to not having a proof of loss on the insurer’s usual form?
- c. If the claim file indicates a reasonable belief that a claimant has fraudulently caused or contributed to the loss, was this information presented to the Ohio Department of Insurance Fraud Division within 60 days of receipt of proof of loss?
- d. If the claim was denied on the grounds of a specific policy provision, condition, or exclusion, did the claim file include documentation that the

denial notice contained reference to such provision, condition, or exclusion?

- e. Did the Company comply with the requirement prohibiting denial of a claim because of consideration that others should assume the responsibility of the payment?
- f. If the claim was denied because of the expiration of any statute of limitation or contractual limit, and the claimant was not represented by legal counsel, was notice given to the claimant at least sixty days before the expiration of any statute of limitation or contractual limit?
- g. If the claim was made by a first party claimant, did the Company disclose all available coverages and benefits ?

Findings:

Claim Element	Population	Sample	Yes	No	Standard	Compliance
Collision	3,763	2	2	0	93%	100%
Property Damage	2,283	50	50	0	93%	100%
Bodily Injury	918	50	47	3	93%	94%
UMBI	401	7	5	2	93%	71%
HO Structure	4,046	50	50	0	93%	100%
HO Contents	2,108	50	50	0	93%	100%
Dwelling Structure	252	50	48	2	93%	96%
MH Structure	7	7	7	0	93%	100%
MH Contents	7	7	7	0	93%	100%

The standard for compliance is 93%, the findings for all tests except UMBI exceeded this standard.

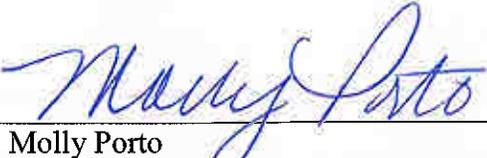
Examiners’ comments:

The UMBI population of claims denied was just 7 claims for the entire examination period. With such a small population, even a single error will result in a finding of apparent noncompliance. The two errors in question were the result of file documentation and/or timely correspondence to the claimant.

Corrective actions implemented by the Company and reported in the “claims paid” portion of this report are adequate and can reasonably be expected to assure compliance. Accordingly, the examiners make no further recommendations for corrective actions.

SUMMARY

This concludes the report of the market conduct examination of Motorists Mutual Insurance Company. The examiners, Ben Hauck and Molly Porto would like to acknowledge the assistance and cooperation of the Company's employees and management.



Molly Porto
Examiner in Charge



Date

EXECUTIVE SUMMARY

Test	Standard	Result
Policy Terminations—Refusal to Renew		
Terminations reported as “nonrenew” conform with all requirements of RC 3937.34.	90%	72%
Policy Terminations—Cancellation Other than Nonpayment		
Records reported as Midterm Cancellation	90%	98%
Records reported as Moved out of issue state	90%	87%
Records reported as Company Request	90%	84%
Records reported as Returned Check not coded as nonpayment of premium	90%	100%
CLAIMS PAID		
Timely Response to Notice of Claim		
Collision Total Losses	93%	100%
Comprehensive Total Losses	93%	100%
Property Damage Total Losses	93%	100%
Bodily Injury	93%	100%
UMBI	93%	98%
HO Structure	93%	98%
HO Contents	93%	100%
Dwelling Structure	93%	100%
MH Structure	93%	100%
MH Contents	93%	100%
Timely Response to Pertinent Claim Communications		
Collision Total Losses	93%	100%
Comprehensive Total Losses	93%	100%
Property Damage Total Losses	93%	100%
Bodily Injury	93%	90%
UMBI	93%	82%
HO Structure	93%	100%
HO Contents	93%	100%
Dwelling Structure	93%	100%
MH Structure	93%	100%
MH Contents	93%	100%

Test	Standard	Result
Timely Settlement		
Collision Total Losses	93%	100%
Comprehensive Total Losses	93%	100%
Property Damage Total Losses	93%	98%
Bodily Injury	93%	100%
UMBI	93%	100%
HO Structure	93%	100%
HO Contents	93%	100%
Dwelling Structure	93%	100%
MH Structure	93%	98%
MH Contents	93%	100%
Fair and Reasonable Claim Settlement		
Collision Total Losses	93%	100%
Comprehensive Total Losses	93%	100%
Property Damage Total Losses	93%	100%
Bodily Injury	93%	100%
UMBI	93%	98%
HO Structure	93%	99%
HO Contents	93%	100%
Dwelling Structure	93%	100%
MH Structure	93%	100%
MH Contents	93%	100%
Total Loss Claims—Actual Cash Value		
Collision	93%	100%
Comprehensive	93%	100%
Property Damage	93%	100%
Total Loss Claims—Sales Tax		
Collision	93%	100%
Comprehensive	93%	98%
Property Damage	93%	100%
Total Loss Claims—File Documentation		
Collision	93%	98%
Comprehensive	93%	70%
Property Damage	93%	92%
Structural Fire Losses		
Personal Lines—No Delinquent Taxes	93%	40%
Commercial Lines—No Delinquent Taxes	93%	59%

Test	Standard	Result
File Documents Adjuster Checked for “Demo Fund” Ordinance	93%	72%
Claim Settlement Conformed with “Demo Fund” Ordinance	93%	100%
CLAIMS DENIED		
Test	Standard	Result
Timely Settlement		
Collision	93%	100%
Property Damage	93%	100%
Bodily Injury	93%	100%
UMBI	93%	100%
HO Structure	93%	100%
HO Contents	93%	94%
Dwelling Structure	93%	98%
MH Structure	93%	100%
MH Contents	93%	100%
Fair and Reasonable Claim Settlement		
Collision	93%	100%
Property Damage	93%	100%
Bodily Injury	93%	94%
UMBI	93%	71%
HO Structure	93%	100%
HO Contents	93%	100%
Dwelling Structure	93%	96%
MH Structure	93%	100%
MH Contents	93%	100%

COMPANY RESPONSE



471 East Broad Street, Columbus, Ohio 43215-3861

www.motoristsgroup.com

October 1, 2010

LYNETTE A BAKER
CHIEF MARKET CONDUCT
OHIO DEPARTMENT OF INSURANCE
50 WEST TOWN STREET
COLUMBUS OH 43215

Re: Market Conduct Examination Report –
Motorists Mutual Insurance Company (NAIC Company Code 14621)

This is our response to the September 8, 2010, draft market conduct report received from your office.

Automobile Policy Terminations

We have reviewed the report and have implemented necessary corrective actions to comply with the Automobile Non-renewal and Automobile Cancellation Other than Nonpayment deficiencies as recommended by the examiner.

Automobile Non-renewal

The company has trained all personnel to distinguish between “cancellations” and “refusal(s) to renew.” Per the ODI recommendation, automation of this function has been taken under advisement. In the interim, to ensure compliance for future policy terminations, we have centralized these functions via designation of appointed specialists who will review each cancellation/non-renewal for compliance prior to processing. This was implemented September 8, 2010.

The company will make sure auto policy termination procedures are part of a new underwriter's training and will continue to audit auto policy terminations as part of the quarterly underwriter audit process. The audit will verify that the termination reason is valid, content of the notice is proper, the correct form is used (cancellation or non-renewal), and that the proper days' notice are provided.

Automobile Cancellation Other than Nonpayment

As mentioned in your comments we have revised and implemented our out-of-state termination procedures to comply with **RC 3937.30** through **3937.33**.

The company will provide the required legal days notice of cancellation and will monitor the accuracy of this via the centralized cancellation Specialist procedure designated above.

The “errors” identified were attributable to one specific underwriter and corrective action has been taken. We will review each cancellation before it takes place, to ensure we remain compliant and address your recommendation. Automation of this process has been taken under advisement.

The Motorists Insurance Group

Motorists Mutual Insurance Company
Motorists Life Insurance Company
MICO Insurance Company

American Hardware Mutual Insurance Company
AHM Insurance Agency, Inc.

Wilson Mutual Insurance Company
Broad Street Brokerage, LLC

Iowa Mutual Insurance Company
Iowa American Insurance Company

Paid Claims

We agree with the examiner's recommendations. The following procedures are being implemented in accordance with these recommendations:

Timely Initial Contact

Motorists will prepare and distribute a bulletin to all agents instructing them to promptly report any claim submitted to them, including any notice of a claim received from an insured or a third party claimant, regardless of whether or not the agent anticipates an actual claim will result.

Total Loss Auto Claims – File Documentation

Claims management has communicated to all claim handlers, the requirement that the amount deducted for owner keep salvage vehicles must be documented in the claim file, regardless of the amount.

Claim handlers are required to obtain salvage values through documented quotes from salvage dealers or auctions or by obtaining average salvage values for similar vehicles from an established salvage dealer or auction database.

Supervision is required to audit claim files to ensure the requirements are being met.

Motorists shall make available upon the Superintendent's request, copies of its claim procedures and compliance practices, including audits.

Structural Fire Losses – Demolition Fund

Claims management has communicated, to the Claims Division, the requirements of RC 3929.86 (C) & (D).

Claims management has communicated the requirement that the claim file be documented as to the existence or non existence of a demolition fund requirement of the municipality in which the loss occurred.

Supervision is required to audit claim files to ensure that the file is properly documented and that the requirements have been met.

The Supervisor File Quality Review form is being revised to specifically include demolition fund documentation requirements.

Demolition Fund requirements will be further emphasized during the next property training sessions.

Motorists shall make available upon the Superintendent's request, copies of its claim procedures and compliance practices, including audits.

We believe the implementation of the above procedures will further improve our claims handling and ensure full compliance in all areas.

We wish to thank the Ohio Department of Insurance and the Examiner in Charge, Molly Porto, for discussing issues relevant to the examination with us and allowing us the opportunity to respond to the Target Market Conduct Examination report.

Motorists takes very seriously, and places great emphasis on, compliance with all statutes, rules and regulations relating to the conduct of our business. We strive to provide excellent service to all customers and to make continuous improvement in every aspect of our operation. We appreciate the Department bringing to our attention any areas where improvement can be made.

We are pleased with the overall results of the audit. We believe it confirms that Motorists is providing excellent service to policyholders and claimants.

If you have any questions, please contact Duane Cable at (614) 225-8473 or by email at Duane.Cable@MotoristsGroup.com

The Motorists Insurance Group



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