

**PROCEEDING BEFORE THE HONORABLE MICHAEL D. RILEY
INSURANCE COMMISSIONER OF THE
STATE OF WEST VIRGINIA**

**IN RE:
CHURCH MUTUAL INSURANCE COMPANY
ADMINISTRATIVE PROCEEDING No. 15-MC-THP-02004
ADMINISTRATIVE PROCEEDING No. 14-AP-THP-02092**

**AGREED ORDER ADOPTING REPORT OF
MARKET CONDUCT EXAMINATION, DIRECTING
CORRECTIVE ACTION AND ASSESSING PENALTY**

NOW COMES, Michael D. Riley, Insurance Commissioner of the State of West Virginia, and issues this Agreed Order which adopts the Report of Market Conduct Examination for the targeted examination of Church Mutual Insurance Company (hereinafter "CMIC") for the period ending December 31, 2015 based upon the following findings, to wit:

PARTIES

1. Michael D. Riley, is the Insurance Commissioner of the State of West Virginia (hereinafter the "Insurance Commissioner") and is charged with the duty of administering and enforcing, among other duties, the provisions of Chapter 33 of the West Virginia Code of 1931, as amended.

2. CMIC was organized on March 4, 1897 as the Wisconsin Church Mutual Fire Insurance Association. It commenced business on June 3, 1897. A revision of the articles of incorporation adopted on October 16, 1947 changed the name to the Wisconsin Church Mutual Fire Insurance Company. A further amendment to the articles of incorporation adopted on March 19, 1952 changed the name to its present Church Mutual Insurance Company. CMIC is licensed in all 50 states and the District of Columbia.

FINDINGS OF FACT

1. In West Virginia, CMIC operates under the provisions of Chapter 33 of the West Virginia Code as a property and casualty company and is licensed for the lines of casualty, fire, marine and surety.

2. This Targeted Market Conduct Examination was instituted as result of the Final Order entered in Administrative Proceeding 14-AP-THP-02092. The Final Order concluded that CMIC violated W. Va. Code. R. §§ 114-14-6.1 and 114-14-6.7, which constitutes a violation the Unfair Trade Practices Act, specifically W.Va. Code § 33-11-4(9)(c) regarding timely investigations.

3. The purpose of this Targeted Market Conduct Examination was to investigate the claims handling practices of CMIC in regard to third-party claims and to determine whether the actions of CMIC Company identified in Administrative Proceeding 14-AP-THP-02092 constitute a general business practice pursuant to W.Va. Code § 33-11-4a(e) and (f).

4. The Targeted Market Conduct Examination primarily focused on third-party claims handling practices with particular attention to CMIC's issuance of notice of necessary delay letters as required by W. Va. Code. R. § 114-14-6.7 and CMIC's prompt and diligent investigation of claims, pursuant to W.Va. Code R. § 114-14-6.1. The examination covered the period of operations ending December 31, 2015. The examination was conducted in accordance with W. Va. Code § 33-2-9(c) by examiners duly appointed by the West Virginia Offices of the Insurance Commissioner.

5. The Targeted Market Conduct Examination began on March 21, 2016 and concluded on April 29, 2016. The tests administered by the examiners are designed to

measure the level of the Company's compliance with West Virginia's statutes, rules and regulations. The examiners use the National Association of Insurance Commissioners' (NAIC) standard of a 7% error ratio on claims.

6. Thirteen (13) separate standards were reviewed during the examination. Of the thirteen (13) standards, the company was compliant or predominately compliant in eleven (11) standards and non-compliant in two (2) standards.

7. The Company was non-compliant with standard G2, which pertains to the failure to provide notice of necessary delay letters as required by W.Va. Code R. § 114-14-6.7. A violation of W.Va. Code R. §114-14-6.7 was identified in the Final Order in 14 - AP-THP-02092. Accordingly, a general business practice of violating W.Va. Code R. § 114-14-6.7 has been identified.

8. The Company was non-compliant with standard G9, which pertains to claims closed without payment where the insurance company failed to provide the claimant with contact information for the West Virginia Offices of the Insurance Commissioner as required by W.Va. Code R. §114-14-6.17. The Company's non-compliance with standard G9 and W.Va. Code R. §114-14-6.17 is not relevant to the findings in Final Order in 14 - AP-THP-02092.

9. On May 31, 2016, the appointed examiner filed with the Insurance Commissioner, pursuant to W. Va. Code § 33-2-9, a Report of Market Conduct Examination regarding the treatment of third-party claimants.

10. A true copy of the Report of Market Conduct Examination and this Agreed Order were sent to CMIC on June 2, 2016. The Report of Market Conduct Examination is attached hereto as Exhibit A.

11. CMIC was notified, pursuant to W. Va. Code §33-2-9(j)(2), that it had thirty (30) days after receipt of the Report of Market Conduct Examination to file a submission or objection with the Insurance Commissioner. If the Company had no objections/submissions, it could elect to enter into this Agreed Order.

12. By entering into this Agreed Order, CMIC hereby waives its notice of administrative hearing, any and all rights to an administrative hearing, and to judicial review of this matter.

13. By entering into this Agreed Order CMIC is not admitting that it committed unfair claims handling practices in the handling of the underlying claim relevant to the third-party consumer complaint and the Final Order in 14-AP-THP-02092. However, CMIC is acknowledging that the Insurance Commissioner has jurisdiction over the parties and subject matter of this proceeding and that, pursuant to W.Va. Code § 33-2-9, the Insurance Commissioner is empowered to examine any entity engaged in the business of insurance in this state.

14. That CMIC and the Insurance Commissioner are desirous of resolving this matter by Agreed Order, including the Insurance Commissioner's Market Conduct Examination of CMIC and CMIC's appeal of the Insurance Commissioner's Final Order in 14-AP-THP-02092 currently pending before the West Virginia Supreme Court of Appeals (No. 16-0050). CMIC and the Insurance Commissioner shall separately file a Voluntary Dismissal with the West Virginia Supreme Court of Appeals, pursuant to Rule 27 of the West Virginia Rules of Appellate Procedure, which dismisses the pending appeal. This Agreed Order is intended to resolve all presently outstanding matters between CMIC and the Insurance Commissioner as a result of the underlying third-party

consumer complaint whether pending before the agency or in a court of law.

15. That nothing herein shall prevent the underlying third-party complainant in 14-AP-THP-02092 from seeking restitution from the Unfair Claims Settlement Practice Trust Fund, pursuant to W.Va. Code §§ 33-11-4a and 33-11-6, to the extent restitution is justified and the underlying complainant is entitled to do so pursuant to the above-referenced code section.

CONCLUSIONS OF LAW

1. The Insurance Commissioner has jurisdiction over the parties and subject matter of this proceeding. It is being conducted pursuant to and in accordance with W. Va. Code §§ 33-2-9, 33-11-4a and 33-11-6.

2. The Insurance Commissioner is charged with the responsibility of verifying continued compliance with West Virginia Code and the West Virginia Code of State Rules by CMIC as well as all other provisions of regulation that CMIC is subjected to by virtue of its Certificate of Authority to operate in West Virginia.

3. CMIC has incurred violations of W. Va. Code R. § 114-14-6.7, as identified in the Targeted Market Conduct Examination, pertaining to failure to properly issue notice of necessary delay letters. The frequency of these violations was sufficient to be identified as a non-compliant claims handling practice. The failure of CMIC to meet compliance with standard G2 correlating to W. Va. Code R. § 114-14-6.7 is related to the findings contained in the Final Order in 14-AP-THP-02092. Accordingly, the Insurance Commissioner finds that the Company has violated W. Va. Code R. § 114-14-6.7 with such frequency as to constitute a general business practice as required by W.Va. Code § 33-11-4a(e) and (f). A violation of W. Va. Code R. § 114-14-6.7 also constitutes a violation of the Unfair Trade Practices Act, specifically W.Va. Code § 33-11-4(9)(c).

4. CMIC has incurred violations of W. Va. Code R. § 114-14-6.17, as identified in the Targeted Market Conduct Examination. The failure of CMIC to meet compliance with standard G9 relating to W. Va. Code R. § 114-14-6.17 is not correlated to the findings contained in the Final Order in 14-AP-THP-02092. Accordingly, the Insurance Commissioner is not required to find whether or not the Company violated W. Va. Code R. § 114-14-6.17 with such frequency as to constitute a general business practice.

5. The Insurance Commissioner finds that neither the Final Order in 14-AP-THP-02092, nor the Targeted Market Conduct Examination revealed any intentional or egregious acts or conduct committed by CMIC.

ORDER

Pursuant to W. Va. Code §33-2-9(j)(3)(A), following the review of the Report of Market Conduct Examination, the examination work papers, and the response of CMIC thereto, if any, the Insurance Commissioner and CMIC have agreed to enter into this Agreed Order. The Parties have further agreed to the imposition of an administrative penalty against CMIC and further terms as set forth below.

It is accordingly **ORDERED** as follows:

(A) The attached Report of Market Conduct Examination of CMIC is hereby **ADOPTED** and **APPROVED** by the Insurance Commissioner;

(B) That CMIC will **CEASE AND DESIST** from failing to comply with the statutes, rules and regulations of the State of West Virginia concerning any claims handled in this state and more specifically the provisions enumerated herein this Order;

(C) That CMIC shall continue to monitor its compliance with W.Va. Code § 33-11-4(9)(c) and W. Va. Code R. §§ 114-14-6.7 and 6.17.

(D) That CMIC shall file with the Insurance Commissioner, in accordance with W.

Va. Code §33-2-9(j)(4), affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report of Market Conduct Examination and a copy of this Agreed Order. CMIC shall file said affidavits within thirty (30) days of its next regularly scheduled board meeting, but no later than September 17, 2016;

(E) That CMIC **SHALL FILE** a Corrective Action Plan which will be subject to the approval of the Insurance Commissioner. The Corrective Action Plan shall detail CMIC's changes to its procedures and/or internal policies to ensure compliance with West Virginia Code and West Virginia Code of State Rules, incorporate all recommendations of the Insurance Commissioner's examiner and address all violations specifically cited in the Report of Market Conduct Examination. The Corrective Action Plan outlined in this Order must be submitted to the Insurance Commissioner for approval within thirty (30) days of the entry date of this Agreed Order. CMIC shall implement reasonable changes to the Corrective Action Plan if requested by the Insurance Commissioner within thirty (30) days of the Insurance Commissioner's receipt of the Corrective Action Plan. The Insurance Commissioner shall provide notice to CMIC if the Corrective Action Plan is disapproved and the reasons for such disapproval within thirty (30) days of the Insurance Commissioner's receipt of the Corrective Action Plan.

(F) That CMIC shall ensure compliance with the West Virginia Code and West Virginia Code of State Rules. CMIC shall specifically cure those violations and deficiencies identified in the Report of Market Conduct Examination;

(G) That CMIC shall pay an administrative penalty to the State of West Virginia in the amount of **NINE THOUSAND SEVEN HUNDRED FIFTY DOLLARS AND ZERO CENT** (\$9,750.00) for non-compliance as described herein. The payment of this administrative penalty is in lieu of any other regulatory penalty or remedy, and is due

within thirty (30) calendar days upon execution of this order;

(H) That all such statutory notices, administrative hearings and appellate rights are herein waived concerning this Report of Market Conduct Examination and Agreed Order. CMIC is aware of and understands fully all substantive and procedural rights available to it under the laws of the State of West Virginia, including the right to notice and administrative hearing on these matters and the right to appeal the same. Nevertheless, in lieu of proceeding with an administrative action or hearing, CMIC wishes to enter into an Agreed Order with the Insurance Commissioner;

(I) CMIC expressly agrees that nothing in this Agreed Order shall prevent the Insurance Commissioner from taking any future action provided for by law for any future violations not identified in this administrative proceeding; and

(J) CMIC and the Insurance Commissioner agree to file a Voluntary Dismissal with the West Virginia Supreme Court of Appeals, pursuant to Rule 27 of the West Virginia Rules of Appellate Procedure, which dismisses CMIC's appeal of the Final Order in 14-AP-THP-02092 currently pending before the West Virginia Supreme Court of Appeals (No. 16-0050). This Agreed Order is intended to resolve all presently outstanding matters between CMIC and the Insurance Commissioner as a result of the underlying third-party consumer complaint whether pending before the agency or in a court of law.

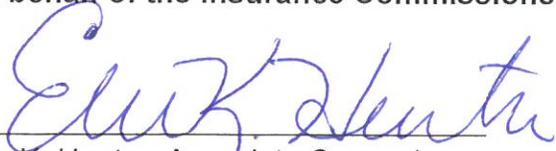
Entered this 7th day of June, 2016.



Michael D. Riley, Insurance Commissioner
State of West Virginia

REVIEWED AND AGREED TO BY:

On behalf of the Insurance Commissioner:


Erin K. Hunter, Associate Counsel
Regulatory Compliance and Enforcement

Dated: 6/7/16

On Behalf of Church Mutual Insurance Company:

By: Bandra Woller
Print Name

Its: Internal Audit Manager

Signature: Bandra Woller

Date: June 6, 2016

Report of Market Conduct Examination

As of December 31, 2015



Church Mutual Insurance Company
3000 Schuster Lane
Merrill, WI

NAIC COMPANY CODE 18767
Examination Number WV-WV014-1

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May 31, 2016

The Honorable Michael D. Riley
West Virginia Insurance Commissioner
900 Pennsylvania Avenue
Charleston, West Virginia 25301

Dear Commissioner Riley:

Pursuant to your instructions and in accordance with W. Va. Code §33-2-9, an examination has been made as of December 31, 2015 on

Church Mutual Insurance Company
3000 Schuster Lane
Merrill, WI 54452

Hereinafter referred to as the "Company." The following report of the findings of this examination is herewith respectfully submitted.

FOREWORD

This is a report by test of company compliance with selected Standards contained in the National Association of Insurance Commissioners' (NAIC) *2015 Market Regulation Handbook* ("Handbook") and Standards approved by the West Virginia Offices of the Insurance Commissioner ("WVOIC") which are based on applicable West Virginia statutes and administrative rules, as referenced herein. Testing is based on guidelines contained in the Handbook. All tests applied are included in this report.

"Company" as used herein refers to Church Mutual Insurance Company. "WVOIC" as used herein refers to the West Virginia Offices of the Insurance Commissioner. "W.Va. Code St. R." as used herein refers to the West Virginia Code of State Rules. "W.Va. Code" as used herein refers to the West Virginia Code Annotated.

EXECUTIVE SUMMARY

The examination began March 21, 2016 and concluded on April 29, 2016. The examination was conducted remotely. The examination was called as a result of the Final Order as amended entered in Administrative Proceeding 14-THP-02092/14-AP-THP-2092. W. Va. Code §33-11-4a(e) & (f) imply that, upon any finding that a company committed an unfair claims settlement practice with respect to a third-party claimant, the Commissioner determines whether or not that the practice occurred with such frequency as to be construed as a general business practice of the Company. In this case, the Commissioner determined that the most efficient way to make this determination was through a targeted Market Conduct Examination. The examination primarily focused on third-party claims handling with particular attention to the Company's investigation of claims and notice of necessary delay (Standard G2). Certain standards from the Company Operations and Management Section, and Complaint Handling Section of the *Market Regulation Handbook* were also included within this examination report.

A total of thirteen (13) standards were reviewed during this examination. Of these thirteen (13) standards, the Company was compliant in ten (10), predominantly compliant in one (1) and noncompliant in two standards (G2, and G9).

The targeted market examination revealed the following violations of the W. Va. Code or Regulations cited in Administrative Proceeding 14-THP-02092/14-AP-THP-2092:

- Violations of W. Va. Code St. R. §114-14-6.7, failure to issue written notices of necessary delay were found in eleven (11) separate claims files (Standard G2); in eight (8) of those claims the company also failed to send required additional notices of necessary delay. There were nineteen (19) total violations.

Not related to the administrative proceedings were the following failures:

- There were nine (9) closed without payment claims violating §114-14-6.17 Option of contacting the West Virginia Offices of the Commissioner. (Standard G9).

PURPOSE AND SCOPE OF THE EXAMINATION

Market conduct examiners with the WVOIC reviewed certain business practices of Church Mutual Insurance Company. W. Va. Code §33-2-9 empowers the Commissioner to examine any entity engaged in the business of insurance. The findings in this report, including all work products developed in producing it, are the sole property of the WVOIC.

The purpose of this targeted examination was to determine the Company's compliance with West Virginia insurance laws relating to treatment of third party claimants. Examination information contained in this report should serve only this purpose. The conclusions and findings of this examination are public record.

The basic business areas that were reviewed and tested under this examination were:

- Company Operations and Management
- Complaint Handling
- Claims Practices

Each business area has standards that the examination measured. Some standards have specific statutory guidelines, others have specific company guidelines, and yet others have contractual guidelines. Since this was a targeted examination, the WVOIC examined only the standards pertinent to the targeted examination or the treatment of third-party claimants.

The focus of the examination was on the methods used by the Company to manage its operations for each of the business areas subject to this examination. This included an analysis of how the Company communicates its instructions and intentions throughout its operations, how it measures and monitors the results of those communications, and how it reacts to and modifies its communications based on the result findings of the measurement and monitoring activities. The examination also determined whether this process is dynamic and results in enhanced compliance activities. Because of the predictive value of this form of analysis, focus was then made on those areas in which the process used by management does not appear to be achieving appropriate levels of statutory and regulatory compliance. Most areas were tested to verify the Company is in compliance with West Virginia statutes and rules. The examiners may not have discovered every unacceptable or non-compliant activity in which the Company is engaged. The failure to identify, comment on, or criticize specific Company practices does not constitute an acceptance of the practices by the West Virginia Offices of the Insurance Commissioner or its' designee.

HISTORY AND PROFILE

The company was organized on March 4, 1897, as the Wisconsin Church Mutual Fire Insurance Association. The company was founded for the purpose of providing insurance under the mutual plan to any church, church society, or pastor of one of the synods constituting the Evangelical Lutheran Synodical Conference, or the Norwegian Evangelical Church of America. It commenced business on June 3, 1897.

A revision of the articles of incorporation adopted at a special meeting of the policyholders held on October 16, 1947, changed the name of the company to the Wisconsin Church Mutual Fire Insurance Company and set forth the following corporate purposes that have continued to the time of this examination:

"This company is organized for the purpose of insuring upon the mutual plan the members against any of the hazards as may be authorized or permitted for companies of its class under the laws of the state of Wisconsin as they are or may be hereafter amended. This revision in the statement of corporate purpose was made to reflect the diversity of religious denominations the company has begun to serve."

An amendment to the articles of incorporation adopted at the annual policyholders' meeting held March 19, 1952, changed the name to Church Mutual Insurance Company. The company has been the acquiring party in a succession of mergers during its history. The company absorbed all of the assets and assumed all of the liabilities of the following companies:

Lutheran Mutual Fire Insurance Company of Burlington, Iowa, on June 11, 1949;
Mutual Fire Insurance Society of the Michigan Conference of Evangelical United Brethren Church, Ltd., Mount Pleasant, Michigan, on September 1, 1953;
American Church and Home Mutual Insurance Company of Madison, Wisconsin, on November 30, 1962; Cheese Makers Mutual Insurance Company of Madison, Wisconsin, on February 1, 1963; and Furniture Mutual Insurance Company of Milwaukee, Wisconsin, on May 31, 1963.

Church Mutual is licensed in all 50 states and the District of Columbia. The company writes significant direct premium in all areas of the country.

METHODOLOGY

The examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners ("NAIC") and West Virginia's applicable statutes and regulations. Tests designed to measure the level of compliance with West Virginia's statutes, rules and regulations were applied to the files. All tests are described and the results displayed in this report.

In the results tables a "pass" response indicates compliance and a "fail" response indicates a failure to comply. CWOP refers to closed without payment claims. The results of each test applied to a sample are reported separately.

The examiners used the NAIC standards of 7% error ratio on claims 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 being compliant, predominantly compliant, or non-compliant existed for any given test. The entire claims population was considered, there was no random sampling performed. Twenty-five claims were not reviewed for such reasons as: claim reported by the policyholder as an incidents only (no claim presented), duplicates, claims setup before the exam period with no activity during the exam period other than closure. Medical Payments only type claims were also not considered.

A. Company Operations & Management

The evaluation of standards in this business area is based on a review of Company responses to information requests and questions, and based on interviews with Company personnel. This portion of the examination is designed to provide a view of what the Company is and how it operates and is not based on sampling techniques, but rather the Company's structure. This review is not intended to duplicate a financial examination review but is important in establishing an understanding of the examinee. Many troubled companies have become so because management has not been structured to adequately recognize and address the problems that can arise. Well-run companies generally have processes that are similar in structure. While these processes vary in detail and effectiveness from company-to-company, the absence of them or the ineffective application of them is often reflected in failure of the various standards tested throughout the examination. The processes usually include:

- A planning function where direction, policy, objectives, and goals are formulated;
- An execution or implementation of the planning function elements;
- A measurement function that considers the results of the planning and execution; and
- A reaction function that utilizes the results of measurement to take corrective action or to modify the process to develop more efficient and effective management of its operations.

Standard A7: Records are adequate, accessible, consistent and orderly and comply with state record retention. (NAIC Market Regulation Handbook Chapter 16, § A Standard 7)

Test Methodology:

- Are the records adequate and accessible? [*W. Va. Code St. R. §114-15-4.2*]

Examiner Observations: Files are retained in accordance with state record retention requirements. Policy files contained all pertinent information for the examination.

Examiner Recommendations: None

Results: Compliant

Standard A9: The Company cooperates on a timely basis with examiners performing the examinations. (NAIC Market Regulation Handbook Chapter 16, § A Standard 9)

Test Methodology:

- Did the Company provide records in a timely basis? [*W. Va. Code St. R. §114-15-4.9*]

Examiner Observations: The Company was cooperative and the examination proceeded in a cordial atmosphere. Data provided was responsive and timely.

Examiner Recommendations: None

Results: Compliant

B. Complaint Handling

Evaluations of the standards in this business area were based on Company responses to various information requests and the review of complaint files from the Company. The definition of a complaint is "any written communication primarily expressing a grievance." In this business area, "complaints" include "grievances." W.Va. Code §33-11-4(10) requires the Company to "...maintain a complete record of all the complaints which it has received since the date of its last examination." The statute also requires that, "This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint."

Standard B1: All complaints are recorded in the required format on the company complaint register. (NAIC Market Regulation Handbook Chapter 16, § B Standard 1)

Test Methodology:

- Is the Company recording all complaints from both the consumer and the Commissioner's Office?
- Is the Company recording all complaints in a regulated complaint register? [*W. Va. Code §33-11-4(10)*]

Examiner Observations: The Company was recording all written complaints from the consumer, as well as those from the WVOIC. The record contained the required fields: the classification of each complaint by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint.

Examiner Recommendations: None

Results: Compliant

Table B1 Results: Complaints Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Complaints	4	4	4	0	90	100

Standard B2: The Company has adequate complaint handling procedures in place and communicates such procedures to policyholders. (NAIC Market Regulation Handbook Chapter 16, § B Standard 2)

Test Methodology:

- Does the Company have complaint procedures in place, and are they sufficient to satisfactorily handle complaints?
- Does the Company have procedures in place to track responses to complaints? [W. Va. Code St. R. §114-14-5.2]

Examiner Observations: The Company had procedures in place. All complaints were logged. The process is to begin processing complaints within twenty-four hours and to provide a response within fifteen working days as required by W. Va. Code St. R. §114-14-5.2.

Examiner Recommendations: None

Results: Compliant

Standard B4: The time frame within which the company responds to complaints is in accordance with applicable statutes, rules, and regulations. (NAIC Market Regulation Handbook Chapter 16, § B Standard 4)

Test Methodology:

- Is the Company maintaining adequate documentation of complaints, as required by W. Va. Code §33-11-4(10)?
- Is the Company responding to complaints in a timely manner, as required by W. Va. Code §114-14-5.2?

Examiner Observations: The Company adequately documented complaints. The Company responded to complaints in a timely manner

Examiner Recommendations: None

Results: Compliant.

Table B4 Results: Complaints Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Complaints	4	4	4	0	90	100

G. Claims Practices

The evaluation of standards in this business area was based on Company responses to information items requested by the examiner, discussions with Company staff, electronic testing of claim databases, and file review during the examination process. This portion of the examination is designed to provide a view of how the Company treats claimants and whether that treatment is in compliance with applicable statutes and rules

Standard G1: The initial contact by the company with the claimant is within the required time frame. (NAIC Market Regulation Handbook Chapter 16, § G Standard 1)

Test Methodology:

- Was the claimant contacted within 15 working days (or mandated emergency order timeframe) from the date of the loss notice per W.Va. Code §33-11-4(9)(b) and W. Va. Code St. R. §114-14-5.1?

Examiner Observations: The examiners found no exceptions.

Examiner Recommendations: None.

Results: Compliant.

G1 Results: Claim Initial Contact					
Type	Reviewed	Pass	Fail	Standard	Compliance
CWOP Liability	16	16	0	93	100
Paid Liability	42	42	0	93	100
Total All	58	58	0	93	100

Standard G2: Timely investigations are conducted. (NAIC Market Regulation Handbook Chapter 16, § G Standard 2)

Test Methodology:

- Did the investigation commence within fifteen (15) working days of any claim filed per W. Va. Code St. R. §114-14-6.2 a?
- Did the Company promptly conduct and diligently pursue a thorough, fair and objective investigation and not unreasonably delay resolution by persisting in seeking information not reasonably required for or material to the resolution of the claim dispute per W. Va. Code St. R. §114-14-6.1?
- Is the investigation continuing more than 30 calendar days? If so, was a delay letter sent within 15 working days after the 30 calendar days per W. Va. Code St. R. §114-14-6.7?
- If the investigation continued, were subsequent delay letters sent with 45 calendar days per W. Va. Code St. R. §114-14-6.7?

Examiner Observations: All claim investigations commenced within the required fifteen working days. Violations of W. Va. Code St. R. §114-14-6.7, failure to issue written notices of necessary delay were found in eleven (11) separate claims files (Standard G2); in eight (8) of those claims the company also failed to send required additional notices of necessary delay. There were nineteen (19) total violations.

Examiner Recommendations: It is recommended that the Company comply with W. Va. Code St. R. §114-14-6.7 regarding notice of necessary delay in investigating claims. Section 6.7 states that if the insurer needs more than thirty (30) calendar days from the date that a proof of loss from a first party claimant or notice of claim from a third-party claimant is received to determine whether a claim should be accepted or denied, it shall so notify the claimant in writing within fifteen (15) working days after the thirty-day period expires. Section 6.7 also states that if the investigation remains incomplete, the insurer shall provide written notification of the delay to the claimant every forty-five (45) calendar days thereafter until the investigation is complete.

Results: Non-compliant.

G2 Results: Claims Timely Investigations					
Type	Reviewed	Pass	Fail	Standard	Compliance
CWOP Liability	16	12	4	93	75
Paid Liability	42	35	7	93	83
Total All	58	47	11	93	81

Standard G3: Claims are resolved in a timely manner. (NAIC Market Regulation Handbook Chapter 16, § G Standard 3)

Test Methodology:

- Did the Company deny the claim or make a written offer within ten (10) working days of completing its investigation per W. Va. Code St. R. §114-14-6.3?
- Did the Company pay any amount agreed upon within (15) working days per W. Va. Code St. R. §114-14-6.11?

Examiner Observations: The examiners found no exceptions.

Examiner Recommendations: None

Results: Compliant.

G3 Results: Claims Resolution					
Type	Reviewed	Pass	Fail	Standard	Compliance
CWOP Liability	16	16	0	93	100
Paid Liability	42	42	0	93	100
Total All	58	58	0	93	100

Standard G4: The Company responds to claim correspondence in a timely manner. (NAIC Market Regulation Handbook Chapter 16, § G Standard 4)

Test Methodology:

- Did the Company reply to pertinent communications from a claimant which reasonably suggest that a response is needed per W. Va. Code St. R. §114-14-5.3 and W. Va. Code §33-11-4(9) (b)?

Examiner Observations: The examiners found no exceptions.

Examiner Recommendations: None

Results: Compliant.

G4 Results: Claims Correspondence					
Type	Reviewed	Pass	Fail	Standard	Compliance
CWOP Liability	16	16	0	93	100
Paid Liability	42	42	0	93	100
Total All	58	58	0	93	100

Standard G5: Claim files are adequately documented. (NAIC Market Regulation Handbook Chapter 16, § G Standard 5)

Test Methodology:

- Do the files contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed per W. Va. Code St. R. §114-14-3?
- Are the communications properly dated?

Examiner Observations: The examiners found no exceptions.

Examiner Recommendations: None.

Results: Compliant.

G5 Results: Claims Documentation					
Type	Reviewed	Pass	Fail	Standard	Compliance
CWOP Liability	16	16	0	93	100
Paid Liability	42	42	0	93	100
Total All	58	58	0	93	100

Standard G6: Claims are properly handled in accordance with policy provisions and applicable statutes, rules, and regulations. (NAIC Market Regulation Handbook Chapter 16, § G Standard 6)

Test Methodology:

- Does the claim handling meet West Virginia statutes and rules as applied to sales tax payment, correct payees, improper release of claims, and proper payment of non-disputed claims?
- Was coverage checked for proper application of deductible or appropriate exclusionary language?
- Were appropriate disclosures given when a claim nears the applicable statute of limitations?
- Did the Company adopt and communicate to all its claims agents written standards for prompt investigation and processing of claims in accordance with W. Va. Code St R §§ 114-14-8 (effective 4/24/2006)?

Examiner Observations: There two (2) closed without payment claims and one (1) paid claims violating §114-14-6.12 Notice of applicable time limits where the claimants were not notified that their rights may be affected by the statute of limitations. (Standard G6).

Examiner Recommendations: It is recommended that the company comply with W. Va. Code St. R. §114-14-6.12: by giving written notice of expiration of the statute of limitations.

Results: Predominately Compliant.

G6 Results: Claims Results					
Type	Reviewed	Pass	Fail	Standard	Compliance
CWOP Liability	16	14	2	93	88
Paid Liability	42	41	1	93	98
Total All	58	55	3	93	95

Standard G9: Denied and closed-without-payment claims are handled in accordance with policy provisions and state laws. (NAIC Market Regulation Handbook Chapter 16, § G Standard 9)

Test Methodology:

- Is the denial based upon specific policy provisions or exclusions?
- Is the claimant provided with a reasonable basis for the denial when required by statute or regulation per W. Va. Code St. R. §114-14-3?
- Is the claimant who is neither an attorney or represented by an attorney given written notice of that statute of limitation per W. Va. Code St. R. §114-14-6.12?
- Is the claimant given the option of contacting the Commissioner's Office and provided with its mailing address, telephone number, and web site address per W. Va. Code St. R. §114-14-6.17?

Examiner Observations: There were nine (9) closed without payment claims failing §114-14-6.17 (Option of contacting the West Virginia Offices of the Commissioner).

Examiner Recommendations: It is recommended that the Company comply with W. Va. Code St. R. §114-14-6.17 by providing contact information and the option to contact the West Virginia Offices of the Insurance Commissioner on denial notices.

Results: Non-compliant.

G9 Results: Denied and Closed					
Type	Reviewed	Pass	Fail	Standard	Compliance
CWOP Liability	16	7	9	93	44
Total CWOP	16	7	9	93	44

Standard G10: Cancelled checks and drafts reflect appropriate claim handling practices. (NAIC Market Regulation Handbook Chapter 16, § G Standard 10)

Test Methodology:

- Do the checks include the correct payee and are they for the correct amount?
- That payment checks do not indicate the payment is "final" when such is not the case.

- That checks or drafts do not purport to release the insurer from total liability when such is not the case.

Examiner Observations: Checks were in the correct amount and included the correct payee. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

G10 Results: Cancelled Checks					
Type	Reviewed	Pass	Fail	Standard	Compliance
Paid Liability	42	42	0	93	100
Total Paid	42	42	0	93	100

LIST OF RECOMMENDATIONS

Recommendation G2: It is recommended that the Company comply with W. Va. Code St. R. §114-14-6.7 regarding notice of necessary delay in investigating claims. Section 6.7 states that if the insurer needs more than thirty (30) calendar days from the date that a proof of loss from a first party claimant or notice of claim from a third-party claimant is received to determine whether a claim should be accepted or denied, it shall so notify the claimant in writing within fifteen (15) working days after the thirty-day period expires. Section 6.7 also states that if the investigation remains incomplete, the insurer shall provide written notification of the delay to the claimant every forty-five (45) calendar days thereafter until the investigation is complete.

Recommendation G6: It is recommended that the company comply with W. Va. Code St. R. §114-14-6.12: by giving written notice of expiration of the statute of limitations.

Recommendation G9: It is recommended that the Company comply with W. Va. Code St. R. §114-14-6.17 by providing contact information and the option to contact the West Virginia Offices of the Insurance Commissioner on denial notices.

EXAMINER'S SIGNATURE AND ACKNOWLEDGMENT

The examiner would like to acknowledge the cooperation and assistance extended by the Company during the course of the examination.

In addition to the undersigned, Letha Greene, MCM, and Desiree Mauller, CWCP, MCM also participated in the examination.



John Stike, CIE, CPCU, AMCM, CWCP, CIPA, APA, AU, AFI, PAHM
Examiner-in-Charge

EXAMINER'S AFFIDAVIT

State of West Virginia

County of Kanawha

EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES USED IN AN EXAMINATION

I, John Stike, being duly sworn, states as follows:

- 1. I have the authority to represent West Virginia in the examination of Church Mutual Insurance Company.
- 2. I have reviewed the examination work papers and examination report, and the examination of Church Mutual Insurance Company was performed in a manner consistent with the standards and procedures required by West Virginia.

The affiant says nothing further.

John Stike

John Stike, CIE, CPCU, AMCM, CWCP, CIPA, APA, AU, AFI, PAHM
Examiner-in-Charge

Subscribed and sworn before me by John Stike on this 31 day of May, 2016.

(SEAL)

Georgia Lea Cisco

Notary Public

My commission expires on 10-11-2019 (date).

