



**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

In re: )  
 )  
Country Casualty Insurance Company (NAIC #20982) ) Examination #0807-14-TGT  
And )  
Country Mutual Insurance Company (NAIC #20990) )

**ORDER OF THE DIRECTOR**

NOW, on this 11<sup>th</sup> day of ~~May~~ <sup>JUNE</sup>, 2009, Director John M. Huff, after consideration and review of the market conduct examination report of Country Casualty Insurance Company (NAIC #20982) and Country Mutual Insurance Company (NAIC #20990), (hereinafter "the Companies"), examination report number 0807-14-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, does hereby adopt such report as filed. After consideration and review of such report, relevant workpapers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4), RSMo.

This order, issued pursuant to §374.205.3, RSMo and §374.046.15. RSMo Cum. Supp. 2006, is in the public interest.

So Adopted, Found, Concluded and Ordered.

6-11-09  
Date

Director



**FINANCIAL**

1711 GE Road  
PO Box 2020  
Bloomington, IL 61702-2020  
tel (309) 821-3000  
www.countryfinancial.com

May 8, 2009

Carolyn H. Kerr  
Senior Counsel, Market Conduct Section  
Division of Insurance Market Regulation  
301 West High Street, Room 530  
Jefferson City, MO 65102-0690

RECEIVED  
MAY 11 2009

DEPT OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

RE: Final Market Conduct Report  
COUNTRY Casualty Insurance Company NAIC #20982  
COUNTRY Mutual Insurance Company NAIC #20990

Dear Ms. Kerr:

We received your Final Market Conduct Report dated April 22, 2009 on April 27, 2009. The Company has no objections to the report as presented.

It has been a pleasure working with you and your team, and we look forward to receiving the letter indicating the report has been filed.

Sincerely,

COUNTRY Casualty Insurance Company  
COUNTRY Mutual Insurance Company

Barbara A. Baurer  
Executive Vice President & Chief Operating Officer

**STATE OF MISSOURI**  
**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS**  
**AND**  
**PROFESSIONAL REGISTRATION**



**FINAL MARKET CONDUCT EXAMINATION REPORT**  
**Of the Property and Casualty Business of**

**Country Casualty Insurance Company**  
**NAIC # 20982**

**Country Mutual Insurance Company**  
**NAIC #20990**

**MISSOURI EXAMINATION # 0807-14-TGT**

**NAIC EXAM TRACKING SYSTEM # MO268-M83**

**April 20, 2009**

**Home Office**  
**P. O. BOX 2020**  
**Bloomington, IL 61702-2020**

## TABLE OF CONTENTS

<b>FOREWORD.....</b>	<b>3</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>4</b>
<b>COMPANY PROFILE.....</b>	<b>5</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>7</b>
<b>EXAMINATION FINDINGS.....</b>	<b>8</b>
<b>I. CLAIMS PRACTICES.....</b>	<b>8</b>
<b>A. Claims Time Studies.....</b>	<b>9</b>
<b>B. Unfair Settlement and General Handling Practices.....</b>	<b>11</b>
<b>C. Practices Not in the Best Interest of Consumers.....</b>	<b>13</b>
<b>II. COMPLAINTS.....</b>	<b>14</b>
<b>III. CRITICISMS AND FORMAL REQUESTS TIME STUDY.....</b>	<b>15</b>
<b>A. Criticism Time Study.....</b>	<b>15</b>
<b>B. Formal Request Time Study.....</b>	<b>15</b>
<b>EXAMINATION REPORT SUBMISSION.....</b>	<b>16</b>
<b>SUPERVISION.....</b>	<b>Error! Bookmark not defined.</b>

## **FOREWORD**

This is a *targeted* market conduct examination report of the Country Mutual Insurance Company, (NAIC Code # 20990) and Country Casualty Insurance Company (NAIC Code # 20982). This examination was conducted at the offices of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- “Company” refers to Country Casualty Insurance Company and/or Country Mutual Insurance Company;
- “CSR” refers to the Missouri Code of State Regulation;
- “DIFP” refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- “Director” refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- “NAIC” refers to the National Association of Insurance Commissioners;
- “RSMo” refers to the Revised Statutes of Missouri. All citations are to RSMo 2000, unless otherwise specified.

## **SCOPE OF EXAMINATION**

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2008, through December 31, 2008, unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination was a targeted examination involving the following business functions and lines of business: automobile claims, homeowners claims, and complaints.

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized, however, for reviews not applying the general business practice standard.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

## **COMPANY PROFILE**

The following company profile was provided to the examiners by the Company.

“The origin of the group dates back to the formation of the Country Mutual Fire Company in 1925. Country Mutual Casualty (founded in 1926) and the Country Mutual Fire Company were merged in 1957 to form Country Mutual Insurance Company (“COUNTRY Mutual”). Both companies were organized under the sponsorship of the Illinois Agricultural Association. There has been no change in proxy control of COUNTRY Mutual since its original formation. Director and officer biographies are on file with the Department.

COUNTRY Mutual currently has three wholly-owned insurance companysubsidiaries, COUNTRY Casualty Insurance Company, COUNTRY Preferred Insurance Company, and Modern Service Insurance Company. The history of COUNTRY Mutual’s acquisitions is as follows:

In the 1970’s COUNTRY Mutual acquired the Mid-America Fire and Marine Insurance Company (later renamed COUNTRY Preferred Insurance Company), which resulted in business in Arizona, Colorado, Kansas, Missouri and Oklahoma. In 1986, COUNTRY Mutual acquired the multi-line Northwest Farm Bureau Insurance Company, which led to expansion into Alaska, Nevada, Oregon and Washington.

COUNTRY Mutual entered into an alliance with Middlesex Mutual Assurance Company in 1998 and Holyoke Mutual Insurance Company in Salem in 1999. These two companies, known as the Middleoak Insurance Group, currently do business in the Northeast and New England states, with specialty lines offered in additional states.

In 1999, COUNTRY Mutual and its affiliates (collectively, “COUNTRY”) began its strategic alliance with the MSI companies, based in Arden Hills, Minnesota ( the “MSI” Alliance). As a result of the MSI Alliance, which was completed in 2001, COUNTRY expanded into Minnesota, North Dakota, Iowa and Wisconsin. In addition, COUNTRY Mutual became affiliated with Mutual Service Casualty Insurance Company (sold in 2006), Modern Service Insurance Company, and MSI Preferred Insurance Company, which has been owned by Middlesex Mutual Assurance Company since 2007 as a result of the reorganization of the companies.

In 2005, COUNTRY entered into an alliance with the Cotton States Insurance Group, based in Atlanta, Georgia. As a result, COUNTRY Mutual became affiliated with Cotton States Mutual Insurance Company, and Shield Insurance Company. The Cotton States Group writes in Georgia, Alabama, Florida, and Tennessee.

COUNTRY Mutual Insurance Company is a mutual company operating solely within the property and casualty insurance industry. The company through an exclusive agency force, principally writes personal automobile liability and physical damage, farmowners and homeowners multiple peril; and crop hail insurance, along with a complement of commercial lines coverages.

COUNTRY Casualty Insurance Company is a subsidiary of COUNTRY Mutual Insurance Company and serves as a non-preferred carrier. Since 1990, the company has ceded 100% of the net written premium, net losses incurred, and net allocated loss adjustment expenses incurred for all lines of business to COUNTRY Mutual in return for a ceding commission to reimburse underwriting and unallocated loss adjustment expenses.

COUNTRY Mutual writes actively in the following states: Alaska, Arizona, Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Nevada, North Dakota, Oklahoma, Oregon, Washington, and Wisconsin. COUNTRY Casualty writes actively in the same states, plus Georgia, Alabama, and Tennessee. COUNTRY Mutual is licensed to do business in 35 states and is accredited as a reinsurer in 7 states. COUNTRY Casualty is licensed to do business in 37 states.”

The Company is licensed by the DIFP under Chapter 379, RSMo, to write property and casualty insurance as set forth in its Certificate of Authority.

## **EXECUTIVE SUMMARY**

The DIFP conducted a *targeted* market conduct examination of Country Mutual Insurance Company and Country Casualty Insurance Company. The examiners found no issues of concern.

The previous Missouri market conduct exam was completed in May 2005. The Company was criticized for failure to utilize the correct Missouri automobile medical payments form and failure to provide sales tax affidavits for total automobile losses as required. The Company agreed to a Stipulation of Settlement and to take corrective action.

## EXAMINATION FINDINGS

### I. CLAIMS PRACTICES

This section of the report is designed to provide a review of the Company's claims handling practices. Examiners reviewed how the Company handled claims to determine the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners reviewed a statistical sampling of the claims processed. The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. The review consisted of Missouri claims selected from a listing furnished by the Company with a date of closing from January 1, 2008, through December 31, 2008.

A claim file is determined in accordance with 20 CSR 100-8.040 and the NAIC *Market Regulation Handbook*. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.1000 – 375.1018 and §375.445) and compared with the NAIC benchmark error rate of seven percent (7%). Error rates in excess of the NAIC [or statutory] benchmark error rate[s] are presumed to indicate a general business practice contrary to the law. Errors indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

A claim error includes, but is not limited to, any of the following:

- An unreasonable delay in the acknowledgement of a claim.
- An unreasonable delay in the investigation of a claim.
- An unreasonable delay in the payment or denial of a claim.
- A failure to calculate claim benefits correctly.
- A failure to comply with Missouri law regarding claim settlement practices.

The examiners reviewed the claim files for timeliness. In determining timeliness, examiners looked at the duration of time the Company used to acknowledge the receipt of the claim, the time for investigation of the claim, and the time to make payment or provide a written denial.

Missouri statutes require the Company to disclose to first-party claimants all pertinent benefits, coverage or other provisions of an insurance policy under which a claim is presented. Claim denials must be given to the claimant in writing, and the Company must maintain a copy in its claim files.

## **A. Claims Time Studies**

To test for compliance with timeliness standards, the examiners reviewed claim records and calculated the amount of time taken by the Company for claims processing. They reviewed the company's claims processing practices relating to (1) the acknowledgement of receipt of notification of claims; (2) the investigation of claims; and (3) the payment of claims or the providing of an explanation for the denial of claims.

DIFP regulations require companies to abide by the following parameters for claims processing:

- Acknowledgement of the notification of a claim must be made within 10 working days.
- Completion of the investigation of a claim must be made within thirty 30 calendar days after notification of the claim. If more time is needed, the Company must notify the claimant and send follow-up letters every 45 days.
- Payment or denial of a claim must be made within fifteen 15 working days after investigation of the claim is complete.

### **1. Personal Automobile Physical Damage Closed With and Without Payment**

Field Size:	830
Sample Size:	100
Type of Sample:	Random
Error Ratio:	0%

The examiners discovered no issues or concerns.

## 2. Personal Automobile Uninsured And Underinsured Motorist

Field Size: 20  
Sample Size: 20  
Type of Sample: Census  
Error Ratio: 0%

The examiners discovered no issues or concerns.

## 3. Personal Automobile Medical Payments

Field Size: 90  
Sample Size: 90  
Type of Sample: Census  
Error Ratio: 0%

The examiners discovered no issues or concerns.

## 4. Homeowners

Field Size: 1,034  
Sample Size: 100  
Type of Sample: Random  
Error Ratio: 0%

The examiners discovered no issues or concerns.

## **B. Unfair Settlement and General Handling Practices**

In addition to the Claim Time Studies, examiners reviewed the company's claim handling processes to determine compliance with contract provisions and adherence to unfair claims statutes and regulations. Whenever a claim file reflected that the company failed to meet these standards, the examiners cited the company for noncompliance.

### **1. Personal Automobile Physical Damage Closed With and Without Payment**

Field Size:	830
Sample Size:	100
Type of Sample:	Random
Error Ratio:	0%

The examiners discovered no issues or concerns.

### **2. Personal Automobile Uninsured And Underinsured Motorist**

Field Size:	20
Sample Size:	20
Type of Sample:	Census
Error Ratio:	0%

#### **Errors not included in the ratio**

##### **Failure to Maintain Sales Tax Affidavits**

Also noted in the sample were the following errors, which are not included in the error ratio above:

The following two files failed to include a copy of the Sales Tax affidavit required by Section 144.027 RSMo.

Claim Number

201-0595067

201-0589497

3. Personal Automobile Medical Payments

Field Size: 90  
Sample Size: 90  
Type of Sample: Census  
Error Ratio: 0%

The examiners discovered no issues or concerns.

4. Homeowners

Field Size: 1,034  
Sample Size 100  
Type of Sample: Random  
Error Ratio: 0%

The examiners discovered no issues or concerns.

### **C. Practices Not in the Best Interest of Consumers**

The examiners also looked for items that were not in the best interest of consumers. Not only could these practices be harmful to the insured, they may expose the company to potential liability.

#### **1. Personal Automobile Physical Damage Closed with and Without Payment**

The examiners discovered no issues or concerns.

#### **2. Personal Automobile Uninsured And Underinsured Motorist**

The examiners discovered no issues or concerns.

#### **3. Personal Automobile Medical Payments**

The examiners discovered no issues or concerns.

#### **4. Homeowners**

The examiners discovered no issues or concerns.

## **II. COMPLAINTS**

This section of the report is designed to provide a review of the Company's complaint handling practices. Examiners reviewed how the Company handled complaints to ensure it was performing according to its own guidelines and Missouri statutes and regulations.

Section 375.936(3), RSMo, requires companies to maintain a registry of all written complaints received for the last three years. The registry must include all Missouri complaints, including those sent to the DIFP and those sent directly to the company.

The examiners verified the company's complaint registry, date January 1, 2005, through December 31, 2008. The registry contained a total of 45 complaints. They reviewed all 38 that went through DIFP and all 9 that did not come through the Department, but went directly to the company.

The review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by §375.936(3), RSMo, and 20 CSR 300-2.200(3)(D).

The examiners discovered no issues or concerns.

### **III. CRITICISMS AND FORMAL REQUESTS TIME STUDY**

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri law requires companies to respond to criticisms and formal requests within 10 calendar days. Please note that in the event an extension was requested by the company and granted by the examiners, the response was deemed timely if it was received within the time frame granted by the examiners. If the response was not received within that time period, the response was not considered timely.

#### **A. Criticism Time Study**

<u>Calendar Days</u>	<u>Number of Criticisms</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	2	100%
Received outside time-limit, incl. any extensions	0	0 %
<u>No Response</u>	<u>0</u>	<u>0 %</u>
Total	2	100 %

#### **B. Formal Request Time Study**

<u>Calendar Days</u>	<u>Number of Requests</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	8	100%
Received outside time-limit, incl. any extensions	0	0 %
<u>No Response</u>	<u>0</u>	<u>0 %</u>
Total	8	100%

**EXAMINATION REPORT SUBMISSION**

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Country Casualty Insurance Company (NAIC #20982) and Country Mutual Insurance Company (NAIC #20990), Examination Number 0807-04-TGT. This examination was conducted by John F. Hemmersmeier, Gary Bird, and John Pfaender. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated April 2, 2009. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

 4/22/09

Michael W. Woolbright  
Chief Market Conduct Examiner

Date