



Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

June 21, 2017

Mr. Benjamin M. Salzmann
President
ACUITY, A Mutual Insurance Company
2800 South Taylor Drive
Sheboygan, WI 53082-0058

Re: ACUITY, A Mutual Insurance Company, NAIC 14184
Market Conduct Examination Report Closing Letter

Dear Mr. Salzmann:

The Department has reviewed your Company's proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam.

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

Please contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Jack Engle".

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington- 5th Floor
Springfield, IL 62767
217-558-1058
E-mail: Jack.Engle@Illinois.gov

**ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION OF**

ACUITY, A Mutual Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: September 26, 2016 through March 1, 2017

EXAMINATION OF: ACUITY, A Mutual Insurance Company
NAIC Number: 14184

LOCATION OF EXAMINATION: 2800 South Taylor Drive
Sheboygan, Wisconsin 53081

320 West Washington Street
Springfield, Illinois 62767

PERIOD COVERED BY EXAMINATION: July 1, 2015 through June 30, 2016
(Complaints – January 1, 2015 through June 30, 2016)

EXAMINERS: John C. Watts
Roger O. Henschen, Examiner-in-Charge

INDEX

	Page#
I. SUMMARY	1
II. BACKGROUND	5
III. METHODOLOGY	7
IV. SELECTION OF SAMPLES	8
V. FINDINGS	10
A. Risk Selection	10
1. Private Passenger Auto Company Initiated Cancellations	
2. Private Passenger Auto Non-Pay Cancellations	
3. Private Passenger Auto Nonrenewals	
4. Homeowner Company Initiated Cancellations	
5. Homeowner Non-Pay Cancellations	
6. Homeowner Nonrenewals	
7. Dwelling Fire Company Initiated Cancellations	
8. Dwelling Fire Non-Pay Cancellations	
9. Dwelling Fire Nonrenewals	
10. Personal Lines Company Initiated Cancellations (package)	
11. Personal Lines Non-Pay Cancellations (package)	
12. Personal Lines Nonrenewals (package)	
13. Commercial Auto Company Initiated Cancellations	
14. Commercial Auto Non-Pay Cancellations	
15. Commercial Auto Nonrenewals	
16. Commercial Property Company Initiated Cancellations	
17. Commercial Property Non-Pay Cancellations	
18. Commercial Property Nonrenewals	
19. Workers' Compensation Company Initiated Cancellations	
20. Workers' Compensation Non-Pay Cancellations	
21. Workers' Compensation Nonrenewals	
22. Bis-Pak Company Initiated Cancellations	
23. Bis-Pak Non-Pay Cancellations	
24. Bis-Pak Nonrenewals	
25. Commercial Company Initiated Cancellations (package)	
26. Commercial Non-Pay Cancellations (package)	
27. Commercial Nonrenewals (package)	
28. Rescissions	

B.	Underwriting	13
	1. Private Passenger Auto New Business	
	2. Homeowner New Business	
	3. Dwelling Fire New Business	
	4. Workers' Compensation New Business	
	5. Commercial Property Renewals	
	6. Commercial Auto Renewals	
	7. Workers' Compensation Renewals	
	8. Producer Licensing – Commissions Paid	
C.	Claims	14
	1. Private Passenger Auto First Party Paid	
	2. Private Passenger Auto First Party Closed Without Payment	
	3. Private Passenger Auto Third Party Property Damage Paid	
	4. Private Passenger Auto Third Party Property Damage Closed Without Payment	
	5. Private Passenger Auto Total Losses First Party	
	6. Private Passenger Auto Subrogation	
	7. Homeowner Paid	
	8. Homeowner Closed Without Payment	
	9. Dwelling Fire Paid	
	10. Dwelling Fire Closed Without Payment	
	11. Commercial Auto First Party Paid	
	12. Commercial Auto First Party Closed Without Payment	
	13. Commercial Auto Third Party Property Damage Paid	
	14. Commercial Auto Third Party Property Damage Closed Without Payment	
	15. Commercial Auto Total Losses First Party	
	16. Commercial Auto Subrogation	
	17. Workers' Compensation Paid	
	18. Workers' Compensation Closed Without Payment	
D.	Complaints	20
	1. Department of Insurance Complaints	
	2. Consumer Complaints	

I. SUMMARY

A comprehensive market conduct examination of ACUITY, A Mutual Insurance Company (the “Company”), was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

The following represent general findings, however specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS						
Crit #	Statute/Rule	Description of Violations	Universe	Files Reviewed	# of Violations	Error %
1	215 ILCS 5/143.14(a)	PPA Non-Pay Cancels: no proof of mailing	49	49	49	100%
2	215 ILCS 5/143.27	Homeowner Company Initiated Cancels: no rehab letter	11	11	1	9.09%
3	215 ILCS 5/143.14(a)	Homeowner Non-Pay Cancels: no proof of mailing	68	68	68	100%
4	215 ILCS 5/143.27	Homeowner Nonrenewals: no rehab letter	24	24	1	4.17%
5	215 ILCS 5/143.14(a)	Dwelling Fire Non-Pay Cancels: no proof of mailing	1	1	1	100%
6	215 ILCS 5/143.14(a)	Personal Lines Non-Pay Cancels (package): no proof of mailing	75	75	75	100%
7	215 ILCS 5/143.14(a)	Commercial Auto Non-Pay Cancels: no proof of mailing	1	1	1	100%
8	215 ILCS 5/143.14(a)	Commercial Property Non-Pay Cancels: no proof of mailing	3	3	3	100%
9	215 ILCS 5/143.14(a)	Work Comp Non-Pay Cancels: no proof of mailing	5	5	5	100%
10	215 ILCS 5/143.14(a)	Bis-Pak Non-Pay Cancels: no proof of mailing	110	79	79	100%
11	215 ILCS 5/143.14(a)	Commercial Non-Pay Cancels (package): no proof of mailing	118	79	79	100%
12	215 ILCS 5/143.17a(a)	Commercial Nonrenewals (package): nonspecific reasons for nonrenewal	78	78	1	1.28%
13	215 ILCS 5/462b	Work Comp New Business: incorrect calculation of premium (2 undercharges totaling \$43.00 and 1 overcharge of \$332.00 paid)	469	86	3	3.49%
14	50 Ill. Adm. Code 919.80(b)(2)	PPA First Party Paid: failure to provide proper delay letter	491	83	3	3.61%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violations	Universe	Files Reviewed	# of Violations	Error %
15	50 Ill. Adm. Code 919.80(b)(2)	PPA First Party CWP: failure to send proper delay letter	149	76	7	9.21%
16	50 Ill. Adm. Code 919.50(a)(1)	PPA First Party CWP: failure to include Availability of DOI on denial letter	149	76	1	1.32%
17	50 Ill. Adm. Code 919.80(b)(3)	PPA Third Party Property Damage Paid: failure to provide proper delay letter	420	83	3	3.61%
18	50 Ill. Adm. Code 919.80(b)(3)	PPA Third Party Property Damage CWP: failure to provide proper delay letter	84	76	2	2.63%
19	215 ILCS 5/154.6(d)	PPA Total Losses First Party: not a fair and equitable settlement; not treating all the same (16 underpayments of \$13,036.95 paid)	105	76	16	21.06%
20	50 Ill. Adm. Code 919.80(c)	PPA Total Losses First Party: no evidence Exhibit A sent within 7 days	105	76	74	97.37%
21	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	PPA Total Losses First Party: failure to pay the correct sales tax and title and transfer fees (14 overpayments totaling \$1,158.20 and 35 underpayments of \$4,115.88 paid)	105	76	48	63.16%
22	50 Ill. Adm. Code 919.80(b)(2)	PPA Total Losses First Party: failure to provide proper delay letter	105	76	7	9.21%
23	50 Ill. Adm. Code 919.30(c)	PPA Total Losses First Party: detailed documentation missing (1 underpayment of \$500.00 paid)	105	76	4	5.26%
24	50 Ill. Adm. Code 919.80(c)(2)	PPA Total Losses First Party: failed to use a methodology and source listed to determine value of total loss	105	76	2	2.63%
25	50 Ill. Adm. Code 919.80(d)(7)(B)	Homeowner Paid: failure to provide proper delay letter	462	83	11	13.25%
26	50 Ill. Adm. Code 919.50(a)	Homeowner Paid: failed to pay within 30 days	462	83	2	2.41%
27	50 Ill. Adm. Code 919.60(a)	Homeowner Paid: check to insured reads final payment	462	83	2	2.41%
28	50 Ill. Adm. Code 919.30(c)	Homeowner Paid: detailed documentation missing (underpayment of \$1,000.00 paid)	462	83	1	1.20%
29	50 Ill. Adm. Code 919.50(a)(1)	Homeowner Paid: fail to provide insured written explanation when settlement lower than amount submitted	462	83	1	1.20%
30	215 ILCS 5/397.1(a)	Homeowner Paid: failure to receive proper certificate when structure fire loss exceeds \$25,000	462	83	1	1.20%
31	50 Ill. Adm. Code 919.50(a)(1)	Homeowner CWP: failure to provide proper denial letter	176	76	11	14.47%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violations	Universe	Files Reviewed	# of Violations	Error %
32	50 Ill. Adm. Code 919.80(d)(7)(B)	Homeowner CWP: failure to provide proper delay letter	176	76	9	11.84%
33	50 Ill. Adm. Code 919.50(a)	Homeowner CWP: failure to pay in 30 days (underpayment of \$280.09 paid)	176	76	1	1.32%
34	215 ILCS 5/397.1(a)	Dwelling Fire Paid: failure to receive proper certificate when structure fire loss exceeds \$25,000	17	17	2	11.76%
35	50 Ill. Adm. Code 919.80(d)(7)(B)	Dwelling Fire Paid: failure to provide proper delay letter	17	17	1	5.88%
36	50 Ill. Adm. Code 919.50(a)(1)	Dwelling Fire Paid: failure to include Availability of DOI on written explanation of lower offer of settlement	17	17	1	5.88%
37	50 Ill. Adm. Code 919.50(a)(1)	Dwelling Fire CWP: failure to include Availability of DOI on denial letter	14	14	2	14.29%
38	50 Ill. Adm. Code 919.30(c)	Commercial Auto First Party Paid: detailed documentation missing (1 underpayment of \$3.00 paid)	330	82	3	3.66%
39	50 Ill. Adm. Code 919.50(a)(1)	Commercial Auto First Party CWP: failure to send denial letter	139	76	2	2.63%
40	50 Ill. Adm. Code 919.30(c)	Commercial Auto First Party CWP: detailed documentation missing	139	76	1	1.32%
41	50 Ill. Adm. Code 919.30(c)	Commercial Auto Third Party Property Damage Paid: detailed documentation missing	618	105	1	0.95%
42	50 Ill. Adm. Code 919.30(c)	Commercial Auto Third Party Property Damage CWP: detailed documentation missing	214	82	1	1.22%
43	50 Ill. Adm. Code 919.50(a)(2)	Commercial Auto Third Party Property Damage CWP: failure to send denial letter	214	82	1	1.22%
44	50 Ill. Adm. Code 919.30(c)	Commercial Auto Total Losses First Party: detailed documentation missing (2 underpayments of \$911.73 paid)	79	76	6	7.89%
45	50 Ill. Adm. Code 919.50(a)	Commercial Auto Total Losses First Party: failure to make payment in 30 days	79	76	1	1.32%
46	50 Ill. Adm. Code 919.30(c)	Commercial Auto Subrogation: detailed documentation missing (underpayment of \$164.68 paid)	65	65	2	3.08%
47	215 ILCS 5/143b	Commercial Auto Subrogation: failure to return pro-rata share of deductible (underpayment of \$207.50 paid)	65	65	1	1.54%
48	820 ILCS 305/8.2(d)(1)	Work Comp Paid: failed to pay provider within 30 days	1572	107	5	4.67%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violations	Universe	Files Reviewed	# of Violations	Error %
49	820 ILCS 305/8.2(d)(3)	Work Comp Paid: failed to pay interest on late payments (underpayments of \$38.91 paid)	1572	107	5	4.67%
50	50 Ill. Adm. Code 9110.70(d)	Work Comp CWP: failed to provide proper denial letter	94	76	2	2.63%
51	50 Ill. Adm. Code 9110.70(a)(3)	Work Comp CWP: failure to send employee within 14 days notification of what info is needed and why needed in order to determine liability	94	76	1	1.32%
52	50 Ill. Adm. Code 926.50	DOI Complaints: failed to maintain log as outlined in Exhibit A and as defined in Exhibit B	13	N/A	N/A	N/A
53	50 Ill. Adm. Code 926.40(a)	DOI Complaints: failure to respond timely to the DOI	13	13	1	7.69%
54	50 Ill. Adm. Code 926.50	Consumer Complaints: failed to maintain log as outlined in Exhibit A and as defined in Exhibit B	1	N/A	N/A	N/A
55	215 ILCS 5/143d(b)	Consumer Complaints: failed to respond within 21 days in a written format to policyholder written complaint	1	1	1	100%

II. BACKGROUND

The following was the subject of the market conduct exam:

ACUITY, A MUTUAL INSURANCE COMPANY

ACUITY, A Mutual Insurance Company was incorporated August 11, 1925, under the laws of Wisconsin and began business September 25, 1925. Operations at the start were restricted to one county but later were extended to embrace the entire home state. The present name was adopted in June, 2001. Administrative offices were moved to the present location on June 11, 1984. Effective December 31, 2006, ACUITY sold its wholly owned subsidiary, Greatway Insurance Company, to Anchor General Insurance Company, as a shell with all liabilities incurred prior to the effective date remaining with ACUITY. In 2007, ACUITY sold its bank subsidiary, ACUITY Bank, SSB, in order to solely focus on its core insurance businesses. The deposits and loans were sold to five separate financial institutions after obtaining all regulatory approvals. Subsequently, the bank subsidiary surrendered its savings and loan charter and was dissolved. Effective June 30, 2015, ACUITY sold all material assets in its wholly owned agency subsidiary, Westland Insurance Services, Inc. At the same time, the name of the remaining legal entity was changed to Straight West Insurance Agency, Inc. Effective December 31, 2015, ACUITY dissolved Straight West Insurance Agency, Inc.

The Company writes commercial and personal lines utilizing a distribution network of approximately 1,000 independent agents. The majority of ACUITY's premium revenue is generated from the north central region of the United States, with roughly 31% of ACUITY's direct premium writings in Wisconsin. The Company has expanded its geographical footprint in additional mid-western and select western states. ACUITY has committed to avoiding coastal states to minimize its catastrophe exposure as it expands its business to new states. The Company's marketing strategy is based on offering independent agents products that meet their customers' needs, combined with responsive and efficient claims handling.

The Company's mix of business is approximately 75% commercial lines and 25% personal lines, with workers' compensation the largest individual line of business. Approximately 1/3 of the workers' compensation policies are written in Wisconsin on a fixed-cost, flat or variable dividend basis with scheduled rating adjustments available in other states. The Company's commercial products also include Bis-Pak, a commercial multiple peril policy for smaller business owners; commercial automobile liability and physical damage coverage; general liability; commercial umbrella; commercial property and inland marine coverages. Much of its commercial automobile book is trucking related.

Private passenger automobile is the largest personal line written by ACUITY. A tiered rating approach is used to segment and price risks. Among the other personal lines products offered are homeowners, a personal lines package policy, motorcycle, recreational vehicles and umbrella coverages. In recent years, the Company has grown

its personal lines book given the highly competitive environment within its commercial lines segment. As the commercial market hardens, ACUITY will focus on growth within its commercial lines segment.

ACUITY channels bodily injury claimants into a preferred provider network and utilizes managed care with a highly automated claims handling and management system to speed up the initial contact with claimants and eventual settlement.

2015 State Page Exhibit – 019 Illinois
Acuity, A Mutual Insurance Company
(\$000 omitted)

Line	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
Fire	2,884.3	2,782.0	1,063.3	850.0
Allied lines	3,037.1	2,975.3	1,473.1	1,753.2
Homeowners multiple peril	10,474.2	10,074.3	5,290.2	5,854.2
Commercial multiple peril (non-liability portion)	4,054.6	3,983.1	1,472.8	1,452.4
Commercial multiple peril (liability portion)	7,622.5	7,553.4	2,181.5	5,572.4
Inland marine	3,142.7	3,099.9	410.3	583.1
Workers' compensation	58,880.4	62,135.3	34,932.1	31,792.0
Other liability – occurrence	16,429.9	17,040.3	5,842.9	13,144.0
Other liability – claims made	411.0	351.3	111.2	138.6
Products liability	850.1	869.6	377.2	905.1
Other private passenger auto liability	6,810.2	6,764.8	5,604.3	8,085.8
Other commercial auto liability	22,886.1	23,153.4	11,804.1	14,373.6
Private passenger auto physical damage	5,761.3	5,614.4	2,852.6	2,730.5
Commercial auto physical damage	9,406.2	8,707.8	4,225.3	3,868.6
Fidelity	102.3	115.6	34.9	33.7
Burglary and theft	30.8	33.2	0.0	0.0
Boiler and machinery	742.9	719.8	110.7	105.7
Totals	153,526.6	155,973.5	77,786.5	91,242.9

III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The scope of this market conduct examination was limited to the following general areas.

1. Risk Selection
2. Underwriting
3. Claims
4. Complaints

The review of these categories is accomplished through examination of individual underwriting and claim files, written interrogatories and interviews with Company personnel. Each of these categories is examined for compliance with Department of Insurance rules and regulations and applicable state laws.

The following method was used to obtain the required samples and to assure a statistically sound selection. Surveys were developed from Company generated Excel spreadsheets.

Risk Selection

Cancellations and nonrenewals of existing policyholders were requested on the basis of the effective date of the transaction falling within the period under examination. Cancellations and nonrenewals were reviewed for their compliance with statutory requirements, the accuracy and validity of reasons given and for any possible discrimination.

Underwriting

The underwriting of new applicants for coverage with the Company was selected based on the inception date of the policy falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, use of filed forms, for compliance with Company underwriting guidelines and to ensure that the coverage provided was as requested by the applicant.

Claims

Claims were requested based on the settlement occurring or the claim file being closed without payment within the period under examination.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1, *et seq.*), the Illinois Workers' Compensation Act (820 ILCS 305/1, *et seq.*) and Department regulations (50 Ill. Adm. Code 101 *et seq.*).

Complaints

Complaints were requested based on those received by the Company during the period under examination and were reviewed for completion, accuracy and validity of the complaint. Examiners reviewed both complaints received by the Illinois Department of Insurance and those received directly by the Company from consumers during the examination period.

IV. SELECTION OF SAMPLES

		<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
A.	Risk Selection			
1.	PPA Company Initiated Cancels	0	0	N/A
2.	PPA Non-Pay Cancels	49	49	100%
3.	PPA Nonrenewals	6	6	100%
4.	Homeowner Company Initiated Cancels	11	11	100%
5.	Homeowner Non-Pay Cancels	68	68	100%
6.	Homeowner Nonrenewals	24	24	100%
7.	Dwelling Fire Company Initiated Cancels	1	1	100%
8.	Dwelling Fire Non-Pay Cancels	1	1	100%
9.	Dwelling Fire Nonrenewals	8	8	100%
10.	Personal Lines Company Initiated Cancels (package)	3	3	100%
11.	Personal Lines Non-Pay Cancels (package)	75	75	100%
12.	Personal Lines Nonrenewals (package)	19	19	100%
13.	Commercial Auto Company Initiated Cancels	1	1	100%
14.	Commercial Auto Non-Pay Cancels	1	1	100%
15.	Commercial Auto Nonrenewals	8	8	100%
16.	Commercial Property Company Initiated Cancels	0	0	N/A
17.	Commercial Property Non-Pay Cancels	3	3	100%
18.	Commercial Property Nonrenewals	0	0	N/A
19.	Work Comp Company Initiated Cancels	0	0	N/A
20.	Work Comp Non-Pay Cancels	5	5	100%
21.	Work Comp Nonrenewals	19	19	100%
22.	Bis-Pak Company Initiated Cancels	0	0	N/A
23.	Bis-Pak Non-Pay Cancels	110	79	71.82%
24.	Bis-Pak Nonrenewals	0	0	N/A
25.	Commercial Company Initiated Cancels (package)	11	11	100%
26.	Commercial Non-Pay Cancels (package)	118	79	66.95%
27.	Commercial Nonrenewals (package)	78	78	100%
28.	Rescissions	0	0	N/A

B. Underwriting

1.	PPA New Business	1064	114	10.71%
2.	Homeowner New Business	1741	114	6.55%
3.	Dwelling Fire New Business	87	79	90.80%
4.	Work Comp New Business	469	86	18.34%
5.	Commercial Property Renewals	45	45	100%
6.	Commercial Auto Renewals	166	79	47.59%
7.	Work Comp Renewals	227	84	37.00%
8.	Producer Licensing – Commissions Paid	6347	114	1.80%

C. Claims

1.	PPA First Party Paid	491	83	16.90%
2.	PPA First Party CWP	149	76	51.01%
3.	PPA Third Party Property Damage Paid	420	83	19.76%
4.	PPA Third Party Property Damage CWP	84	76	90.48%
5.	PPA Total Losses First Party	105	76	72.38%
6.	PPA Subrogation	82	76	92.68%
7.	Homeowner Paid	462	83	17.97%
8.	Homeowner CWP	176	76	43.18%
9.	Dwelling Fire Paid	17	17	100%
10.	Dwelling Fire CWP	14	14	100%
11.	Commercial Auto First Party Paid	330	82	24.85%
12.	Commercial Auto First Party CWP	139	76	54.68%
13.	Commercial Auto Third Party Property Damage Paid	618	105	16.99%
14.	Commercial Auto Third Party Property Damage CWP	214	82	38.32%
15.	Commercial Auto Total Losses First Party	77	76	98.70%
16.	Commercial Auto Subrogation	65	65	100%
17.	Work Comp Paid	1572	107	6.81%
18.	Work Comp CWP	94	76	80.85%

D. Complaints

1.	Department of Insurance Complaints	13	13	100%
2.	Consumer Complaints	1	1	100%

V. FINDINGS

A. Risk Selection

1. Private Passenger Auto Company Initiated Cancellations

There were no cancellations.

2. Private Passenger Auto Non-Pay Cancellations

In 49 files (100% of the 49 examined) the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

3. Private Passenger Auto Nonrenewals

There were no criticisms.

4. Homeowner Company Initiated Cancellations

In one (1) file (9.09% of the 11 examined) the Company was in violation of 215 ILCS 5/143.27. The policy was canceled due to repair/rehab issues. A notice of need to repair from the insurance company to the insured was required allowing the named insured a reasonable period of time in which to repair defects in the property. There was no notice.

5. Homeowner Non-Pay Cancellations

In 68 files (100% of the 68 examined) the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

6. Homeowner Nonrenewals

In one (1) file (4.17% of the 24 examined) the Company was in violation of 215 ILCS 5/143.27. The policy was nonrenewed due to repair/rehab issues. A notice of need to repair from the insurance company to the insured was required allowing the named insured a reasonable period of time in which to repair defects in the property. There was no notice.

7. Dwelling Fire Company Initiated Cancellations

There were no criticisms.

8. Dwelling Fire Non-Pay Cancellations

In one (1) file (100% of the one (1) examined) the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

9. Dwelling Fire Nonrenewals

There were no criticisms.

10. Personal Lines Company Initiated Cancellations (package)

There were no criticisms.

11. Personal Lines Non-Pay Cancellations (package)

In 75 files (100% of the 75 examined) the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

12. Personal Lines Nonrenewals (package)

There were no criticisms.

13. Commercial Auto Company Initiated Cancellations

There were no criticisms.

14. Commercial Auto Non-Pay Cancellations

In one (1) file (100% of the one (1) examined) the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

15. Commercial Auto Nonrenewals

There were no criticisms.

16. Commercial Property Company Initiated Cancellations

There were no cancellations.

17. Commercial Property Non-Pay Cancellations

In three (3) files (100% of the three (3) examined) the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

18. Commercial Property Nonrenewals

There were no nonrenewals.

19. Workers' Compensation Company Initiated Cancellations

There were no cancellations.

20. Workers' Compensation Non-Pay Cancellations

In five (5) files (100% of the five (5) examined) the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

21. Workers' Compensation Nonrenewals

There were no criticisms.

22. Bis-Pak Company Initiated Cancellations

There were no cancellations.

23. Bis-Pak Non-Pay Cancellations

In 79 files (100% of the 79 examined) the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

24. Bis-Pak Nonrenewals

There were no nonrenewals.

25. Commercial Company Initiated Cancellations (package)

There were no criticisms.

26. Commercial Non-Pay Cancellations (package)

In 79 files (100% of the 79 examined) the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

27. Commercial Nonrenewals (package)

In one (1) file (1.28% of the 78 examined) the Company was in violation of 215 ILCS 5/143.17a(a) for failing to provide a specific explanation of the reasons for nonrenewal.

28. Rescissions

There were no rescissions.

B. Underwriting

1. Private Passenger Auto New Business

There were no criticisms.

2. Homeowner New Business

There were no criticisms.

3. Dwelling Fire New Business

There were no criticisms.

4. Workers' Compensation New Business

In three (3) files (3.49% of the 86 examined) the premium for the blanket waiver of subrogation endorsement was incorrectly calculated in violation of 215 ILCS 5/462b. These incorrect calculations resulted in two (2) undercharges totaling \$43.00 and one (1) overcharge of \$332.00. The refund has been issued.

5. Commercial Property Renewals

There were no criticisms.

6. Commercial Auto Renewals

There were no criticisms.

7. Workers' Compensation Renewals

There were no criticisms.

8. Producer Licensing – Commissions Paid

There were no criticisms.

C. Claims

1. Private Passenger Auto First Party Paid

83 files were used in computing the median. The median payment period was five (5) days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	78	94%
31-60	4	4.8%
61-90	0	0.0%
91-180	1	1.2%
181-365	0	0.0%
<u>over 365</u>	<u>0</u>	<u>0.0%</u>
Total	83	100

In three (3) files the claim remained unresolved for more than 40 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the insured. In those three (3) files (3.61% of the 83 examined) the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(b)(2).

2. Private Passenger Auto First Party Closed Without Payment

In seven (7) files the claim remained unresolved for more than 40 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the insured. In those seven (7) files (9.21% of the 76 examined) the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(b)(2).

In one (1) file (1.32% of the 76 examined) the Company failed to include the Notice of Availability of the Department of Insurance on the denial letter provided to the insured in violation of 50 Ill. Adm. Code 919.50(a)(1).

3. Private Passenger Auto Third Party Property Damage Paid

83 files were used to compute the median. The median payment period was 16 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	59	71.1%
31-60	8	9.6%
61-90	2	2.4%
91-180	11	13.3%
181-365	2	2.4%
<u>over 365</u>	<u>1</u>	<u>1.2%</u>
Total	83	100%

(When taking out arbitration, litigation and subrogation files, the median was 11 days with 64 files.)

In three (3) files the claim remained unresolved for more than 60 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the third party. In those three (3) files (3.61% of the 83 examined) the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(b)(3).

4. Private Passenger Auto Third Party Property Damage Closed Without Payment

In two (2) files the claim remained unresolved for more than 60 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the third party. In those two (2) files (2.63% of the 76 examined) the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(b)(3).

5. Private Passenger Auto Total Losses First Party

In 16 files (21.05% of the 76 examined) the Company was in violation of 215 ILCS 5/154.6(d) for failing to effectuate fair and equitable settlements resulting in 16 underpayments totaling \$13,036.95. In 16 files, there was no replacement vehicle and the Company paid no sales tax or fees as they did in other claims that were similar and sales tax and fees were paid without a replacement vehicle being purchased. The payments have been issued.

In 74 files (97.37% of the 76 examined) the Company failed to provide the insured with, at a minimum, the information contained in Exhibit A and provide that information within seven (7) days of the insured vehicle being determined a total loss as required by 50 Ill. Adm. Code 919.80(c).

In 48 files (63.16% of the 76 examined) the Company failed to pay the correct sales tax and/or title and transfer fees, or failed to pay transfer and title fees when due in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i) creating 14 overpayments totaling \$1,158.20 and 35 underpayments totaling \$4,115.88. The payments have been issued.

In seven (7) files the claim remained unresolved for more than 40 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the insured. In those seven (7) files (9.21% of the 76 examined) the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(b)(2).

In four (4) files (5.26% of the 76 examined) detailed documentation was missing resulting in a violation of 50 Ill. Adm. Code 919.30(c). In one (1) file there was an underpayment of \$500.00. The payment has been issued.

In two (2) files (2.63% of the 76 examined) the Company was in violation of 50 Ill. Adm. Code 919.80(c)(2) for failing to correctly use the methodology and source chosen to determine the market value of the insured total loss.

6. Private Passenger Auto Subrogation

There were no criticisms.

7. Homeowner Paid

83 files were used to compute the median. The median payment period was 26 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	46	55.4%
31-60	20	24.1%
61-90	10	12.1%
91-180	3	3.6%
181-365	2	2.4%
<u>over 365</u>	<u>2</u>	<u>2.4%</u>
Total	83	100%

In 11 files the claim remained unresolved for more than 75 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the insured. In those 11 files (13.25% of the 83 examined) the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

In two (2) files (2.41% of the 83 examined) the Company was in violation of 50 Ill. Adm. Code 919.50(a) for failing to make payment within 30 days.

In two (2) files (2.41% of the 83 examined) the Company was in violation of 50 Ill. Adm. Code 919.60(a) for indicating “final payment” on a check payable to the insured.

In one (1) file (1.20% of the 83 examined) detailed documentation was missing resulting in a violation of 50 Ill. Adm. Code 919.30(c) and an underpayment of \$1,000.00. The payment has been issued.

In one (1) file (1.20% of the 83 examined) the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) for failing to provide a written explanation to the insured when the settlement for the claim was lower than the amount submitted.

In one (1) file (1.20% of the 83 examined) the structure loss exceeded \$25,000 and required the Company, prior to making payment, to receive a certificate from the insured that there were no delinquent property taxes and no unpaid demolition expenses, or a certificate indicating the amount of delinquent property taxes and unpaid incurred demolition expenses. There was also no evidence that a notice was sent to the State’s Attorney as required. The Company was in violation of 215 ILCS 5/397.1(a).

8. Homeowner Closed Without Payment

In 11 files (14.47% of the 76 examined) the Company failed to provide the insured a proper written explanation for the denial in violation of 50 Ill. Adm. Code 919.50(a)(1).

In nine (9) files the claim remained unresolved for more than 75 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the insured. In those nine (9) files (11.84% of the 76 examined) the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

In one (1) file (1.32% of the 76 examined) the Company failed to pay within 30 days for a portion of the claim which was determined and not in dispute in violation of 50 Ill. Adm. Code 919.50(a), resulting in an underpayment of \$280.09. The payment has been issued.

9. Dwelling Fire Paid

17 files were used to compute the median. The median payment period was 28 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	9	52.9%
31-60	6	35.3%
61-90	0	0.0%
91-180	0	0.0%
181-365	2	11.8%
<u>over 365</u>	<u>0</u>	<u>0.0%</u>
Total	17	100%

In two (2) files (11.76% of the 17 examined) the structure loss exceeded \$25,000 and required the Company, prior to making payment, to receive a certificate from the insured that there were no delinquent property taxes and no unpaid demolition expenses, or a certificate indicating the amount of delinquent property taxes and unpaid incurred demolition expenses. There was also no evidence that a notice was sent to the State's Attorney as required. The Company was in violation of 215 ILCS 5/397.1(a).

In one (1) file the claim remained unresolved for more than 75 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided to the insured. In that one (1) file (5.88% of the 17 examined) the Company failed to provide a delay letter in violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

In one (1) file (5.88% of the 17 examined) the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) for failing to provide the Notice of Availability of the Department of Insurance on the written explanation to the insured of the lower settlement offer.

10. Dwelling Fire Closed Without Payment

In two (2) files (14.29% of the 14 examined) the Company failed to include the Notice of Availability of the Department of Insurance on the written explanation of denial sent to the insured in violation of 50 Ill. Adm. Code 919.50(a)(1).

11. Commercial Auto First Party Paid

In three (3) files (3.66% of the 82 examined) detailed documentation was missing resulting in a violation of 50 Ill. Adm. Code 919.30(c) resulting in an underpayment of \$3.00. The payment has been issued.

12. Commercial Auto First Party Closed Without Payment

In two (2) files (2.63% of the 76 examined) the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) for failing to provide a written explanation of the denial to the insured.

In one (1) file (1.32% of the 76 examined) detailed documentation was missing resulting in a violation of 50 Ill. Adm. Code 919.30(c).

13. Commercial Auto Third Party Property Damage Paid

In one (1) file (0.95% of the 105 examined) detailed documentation was missing resulting in a violation of 50 Ill. Adm. Code 919.30(c).

14. Commercial Auto Third Party Property Damage Closed Without Payment

In one (1) file (1.22% of the 82 examined) detailed documentation was missing resulting in a violation of 50 Ill. Adm. Code 919.30(c).

In one (1) file (1.22% of the 82 examined) the Company failed to provide the third party a denial letter in violation of 50 Ill. Adm. Code 919.50(a)(2).

15. Commercial Auto Total Losses First Party

In six (6) files (7.89% of the 76 examined) detailed documentation was missing resulting in a violation of 50 Ill. Adm. Code 919.30(c) and two (2) underpayments totaling \$911.73. The payments have been issued.

In one (1) file (1.32% of the 76 examined) the Company was in violation of 50 Ill. Adm. Code 919.50(a) for failing to pay the insured within 30 days.

16. Commercial Auto Subrogation

In two (2) files (3.08% of the 65 examined) detailed documentation was missing resulting in a violation of 50 Ill. Adm. Code 919.30(c) and one (1) underpayment of \$164.68. The payment has been issued.

In one (1) file (1.54% of the 65 examined) the Company was in violation of 215 ILCS 5/143b for failing to return the pro-rata share of the deductible to the insured, resulting in an underpayment of \$207.50. The payment has been issued.

17. Workers' Compensation Paid

In five (5) files (4.67% of the 107 examined) the Company was in violation of 820 ILCS 305/8.2(d)(1) for failing to provide payments to providers within 30 days of receipt of a bill which contained substantially all of the required data elements necessary to process the payment.

In five (5) files (4.67% of the 107 examined) the Company was in violation of 820 ILCS 305/8.2(d)(3) for failing to pay interest to the provider when the provider payment exceeded 30 days from receipt of the bill and substantially all of the required data had been received. Failing to pay interest resulted in nine (9) underpayments totaling \$38.91. The payments have been issued.

18. Workers' Compensation Closed Without Payment

In two (2) files (2.63% of the 76 examined) the Company failed to provide the employee a proper written explanation for the basis of denial for the cost of all or part of the employee's medical care. The Company was in violation of 50 Ill. Adm. Code 9110.70(d).

In one (1) file (1.32% of the 76 examined) the Company failed to send the employee within 14 days after notification or knowledge of an alleged inability to work, a written explanation of what information was needed to determine liability for payment of temporary total compensation and why the information was needed. The Company was in violation of 50 Ill. Adm. Code 9110.70(a)(3).

D. Complaints

1. Department of Insurance Complaints

The Company was in violation of 50 Ill. Adm. Code 926.50 Maintenance of Complaint Records, for failing to maintain the Complaint Record as required by Exhibit A and as defined in Exhibit B. There was no column or information on the Complaint Record for "Disposition after Complaint Receipt."

In one (1) file (7.69% of the 13 examined) the Company was in violation of 50 Ill. Adm. Code 926.40(a) for failing to respond to the Department of Insurance in a timely manner. The Company was to respond to the Department by April 1, 2015. They responded on April 7, 2015.

2. Consumer Complaints

The Company was in violation of 50 Ill. Adm. Code 926.50 Maintenance of Complaint Records, for failing to maintain the Complaint Record as required by Exhibit A and as defined in Exhibit B. There was no column or information on the Complaint Record for “Disposition after Complaint Receipt.”

In one (1) file (100% of the one (1) examined) the Company was in violation of 215 ILCS 5/143d(b) for failing to provide the written response to the written policyholder complaint within 21 days of receipt of the complaint.

STATE OF ILLINOIS)
) ss
COUNTY OF SANGAMON)

Roger Henschen, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In-Charge to examine the insurance business and affairs of ACUITY, A Mutual Insurance Company (the "Company"), NAIC 14184.

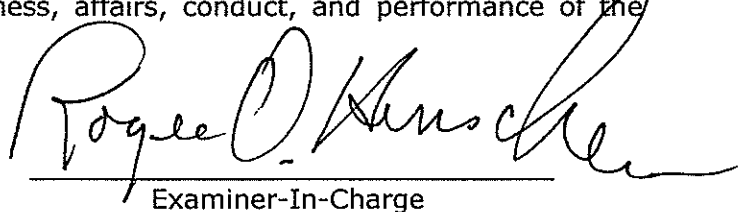
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

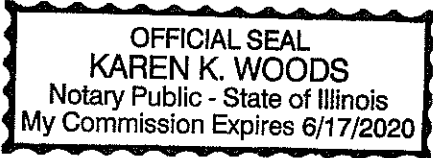
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.


Examiner-In-Charge

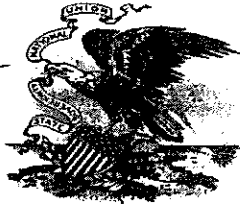
Subscribed and sworn to before me
this 1 day of MARCH, 2017


Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

ACUITY, A MUTUAL INSURANCE COMPANY
2800 SOUTH TAYLOR DRIVE
SHEBOYGAN, WI 53082-0058

STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, ACUITY, A Mutual Insurance Company ("the Company"), NAIC 14184, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

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

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

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

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

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

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

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

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

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

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

1. Institute and maintain policies and procedures whereby the Company shall maintain proof of mailing the notice of cancellation as required by 215 ILCS 5/143.14(a).
2. Institute and maintain policies and procedures whereby the Company shall obtain the required certificate prior to paying a claim for loss by fire when the structure loss exceeds \$25,000 as required by 215 ILCS 5/397.1(a).
3. Institute and maintain policies and procedures whereby the Company shall provide a written response to written inquiries and complaints from consumers within 21 days of receipt as required by 215 ILCS 5/143d(b).
4. Institute and maintain policies and procedures whereby the Company shall effectuate prompt, fair and equitable settlements when liability is reasonably clear as required by 215 ILCS 5/154.6(d).
5. Institute and maintain policies and procedures whereby the Company shall provide the insured a reasonable written explanation for the delay when the claim remains unresolved for more than 40 days as required by 50 Ill. Adm. Code 919.80(b)(2).
6. Institute and maintain policies and procedures whereby the Company shall maintain a complaint record with the required minimum information for complaints received from the Department, as well as those received directly from the consumer, as required by 50 Ill. Adm. Code 926.50.
7. Institute and maintain policies and procedures whereby the Company shall provide the insured with, at a minimum, the information contained in Section 919, Exhibit A Total Loss Automotive Claims, within seven (7) days of determination of the total loss as required by 50 Ill. Adm. Code 919.80(c).
8. Institute and maintain policies and procedures whereby the Company will maintain detailed documentation in claim files in order to permit reconstruction of the company's activities relative to the resolution of the claim as required by 50 Ill. Adm. Code 919.30(c).
9. Institute and maintain policies and procedures whereby the Company shall provide the insured an explanation of the basis of the lower offer or denial within 30 days after determination of liability and a Notice of Availability of the Department of Insurance shall accompany the explanation as required by 50 Ill. Adm. Code 919.50(a)(1).
10. Institute and maintain policies and procedures whereby the Company shall reimburse the insured the applicable sales tax and transfer and title fees as required by 50 Ill. Adm. Code 919.80(c)(3)(A)(i).

11. Institute and maintain policies and procedures whereby the Company shall provide a delay letter in claims unresolved for more than 75 calendar days from the date reported, or 25 calendar days after receipt of proof of loss, whichever is less, as required by 50 Ill. Adm. Code 919.80(d)(7)(B).
12. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above eleven (11) orders within 30 days of execution of this Order.
13. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$45,300 to be paid within 30 days of execution of this Order.

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

On behalf of ACUITY, A MUTUAL INSURANCE COMPANY

Shane Paltzer
Signature

Shane Paltzer
Name

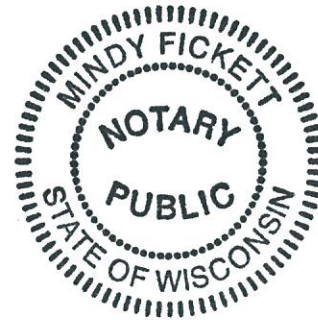
VP- Marketing & Personal Lines
Title

Christine Matysek
5/22/17

Subscribed and sworn to before me this
22nd day of May 2017.

Mindy Fickett
Notary Public

My Commission Expires: May 13, 2018



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 5/24/17

Jennifer Hammer
Jennifer Hammer
Director



7/2/17 5/22/17