STATE OF ILLINOIS

Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF:

ROCKFORD MUTUAL INSURANCE COMPANY
527 COLMAN CENTER DRIVE
ROCKFORD, ILLINOIS 61108-2747

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Bernie Sullivan, Examiner-In-Charge, and associates as the proper persons to examine the insurance business and affairs of Rockford Mutual Insurance Company of Rockford, Illinois, and to make a full and true report to me of the examination made by them of Rockford Mutual Insurance Company with a full statement of the condition and operation of the business and affairs of Rockford Mutual Insurance Company with any other information as shall in my opinion be necessary to examine the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Rockford Mutual Insurance Company.

IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 20th day of May, 2011

Michael T. McRaith — Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving said copy with Rick Terrones, at the hour of 10:00 AM on 8/8, A.D., 2011.

Bernard Sullivan Jr.
Examiner

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE

IN THE MATTER OF THE EXAMINATION OF

ROCKFORD MUTUAL INSURANCE COMPANY
527 COLMAN CENTER DRIVE
ROCKFORD, IL 61108-2747

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint Scott A. Hanfling, Mark Wilson, Tim Kelly, and Meghan Welch, each of Kerns Frost & Pearlman, LLC, as Examiners, to assist the Illinois Department of Insurance ("Department") in the completion of the market conduct examination of Rockford Mutual Insurance Company, NAIC # 27065, (the "Company") by reviewing and completing the examination report prepared by Examiner-in-Charge, Bernie Sullivan, including the review of any objections or rebuttals submitted by the Company regarding the findings of such reports, and drafting of any related Stipulation and Consent Order for the review and approval of the Director. The costs of this examination shall be borne by the Company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of the Company.

SEAL OF THE STATE OF ILLINOIS AUG. 26th 1818

IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Chicago, this 10th day of December, 2012.

Andrew Boron

Andrew Boron ***Director***

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Anne Marie Skallerup
Staff Attorney
Illinois Department of Insurance

Rockford Mutual Insurance Company

MARKET CONDUCT RE-EXAMINATION REPORT

DATE OF RE-EXAMINATION:	August 8, 2011, through October 20, 2011
EXAMINATION OF:	Rockford Mutual Insurance Company (P & C Domestic Mutual) (NAIC # 10336-27065)
LOCATION:	527 Colman Center Drive Rockford, IL 61108
PERIOD COVERED BY RE-EXAMINATION:	April 1, 2010, through March 31, 2011
EXAMINERS:	Bernie Sullivan Jr. LUTCF Examiner-in-Charge

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I. COMPLIANCE:

The Company was previously the subject of a Market Conduct Examination completed February 6, 2009, covering the period October 1, 2007, through September 30, 2008.

Based upon the findings of that examination, twenty-one Orders were issued.

ORDER #1: Institute and maintain procedures whereby insureds are provided a specific explanation of the reason for nonrenewal of his/her auto policy as required by 215 ILCS 5/143.17(e).

The Company is substantially complying with this Order.

ORDER #2: Institute and maintain procedures to assure full and complete compliance with 50 Ill Adm. Code 919.80(b)(2) whereby any insured that experiences a total loss to his/her vehicle or whose collision claim is closed without payment shall be provided a reasonable written explanation for delay as outlined in the referenced regulation.

The Company is not substantially complying with this Order.

ORDER #3: Institute and maintain procedures to assure full and complete compliance with 50 Ill Adm. Code 919.80(b)(3) whereby all third party claimants are provided a reasonable written explanation for delay as outlined in the referenced regulation.

The Company is substantially complying with this Order.

ORDER #4: Institute and maintain procedures whereby third party claimants whose claim has been denied are provided a reasonable written explanation for the basis of denial as required by 50 Ill. Adm. Code 919.50(a)(2).

The Company is not substantially complying with this Order.

ORDER #5: Institute and maintain procedures whereby the insured's pro rata share of the auto deductible is returned in accordance with 215 ILCS 5/143b.

The Company is not substantially complying with this Order.

ORDER #6: As required by 215 ILCS 157/35(2), institute and maintain procedures whereby the insured is provided an explanation of what was included in his/her credit report that caused the adverse action of the nonrenewal of the homeowner policy based on credit information.

The Company is substantially complying with this Order.

ORDER #7: Institute and maintain procedures whereby homeowner policyholders or dwelling fire policyholders who received payment from the Company or whose claim are closed without payment are provided a reasonable written explanation letter when the claim remains unresolved for more than 75 days as required by 50 Ill. Adm. Code 919.80(d)(7)(B).

The Company is substantially complying with this Order.

ORDER #8: Institute and maintain procedures whereby homeowner policyholders and/or farm owner policyholders whose claim is denied are provided the Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1) and as further clarified in 50 Ill. Adm. Code 919.40.

The Company is substantially complying with this Order.

ORDER #9: Institute and maintain procedures whereby mine subsidence coverage is provided on dwelling fire properties in accordance with 215 ILCS 5/805.1.

The Company is substantially complying with this Order.

ORDER #10: Institute and maintain procedures whereby the filed rates and rules for applying those rates and rating plans are used when rating and issuing dwelling fire policies to avoid being in conflict with 50 Ill. Adm. Code 754.10(b)(1) and/or 50 Ill. Adm. Code 754.10(b)(2).

The Company is substantially complying with this Order.

ORDER #11: Institute and maintain procedures whereby an insured who receives payment on his/her dwelling fire claim also receive a reasonable written explanation letter as outlined in 50 Ill. Adm. Code 919.50(a)(1) when a portion of the claim submitted is denied.

The Company is substantially complying with this Order.

ORDER #12: Institute and maintain procedures whereby an insured whose farm owner's policy is being canceled due to a need to repair defects in the property is provided a notice of need to repair and time to make those repairs prior to sending the notice of cancellation as outlined in 215 ILCS 5/143.27.

The Company is substantially complying with this Order.

ORDER #13: Institute and maintain procedures whereby farm owner policies which have been in effect more than 60 days are cancelled only for the reasons permitted by 215 ILCS 5/143.21.

The Company is substantially complying with this Order.

ORDER #14: Institute and maintain procedures whereby farm owner insureds are provided a specific explanation of the reason or reasons for cancellation as required by 215 ILCS 5/143.15.

The Company is substantially complying with this Order.

ORDER #15: Institute and maintain procedures whereby the filed rates and rules for applying rates and rating plans are used when rating and issuing farm owner policies to avoid being in conflict with 50 Ill. Adm. Code 754.10(b)(1) and/or 50 Ill. Adm. Code 754.10(b)(2).

The Company is substantially complying with this Order.

ORDER #16: Institute and maintain procedures whereby insureds whose commercial policy is being canceled or is being nonrenewed are provided loss runs as outlined in 215 ILCS 5/143.10a.

The Company is substantially complying with this Order.

ORDER #17: Institute and maintain procedures whereby policyholders whose commercial policy is being nonrenewed are provided a specific explanation of the reasons for nonrenewal and provided 60 days notice in accordance with 215 ILCS 5/143.17a(a).

The Company is substantially complying with this Order.

ORDER #18: Institute and maintain procedures whereby producers are terminated in accordance with 215 ILCS 5/141.02(3).

The Company is substantially complying with this Order.

ORDER #19: Institute and maintain procedures to inform insureds, prior to the first renewal of his/her automobile policy, of the availability of higher collision and comprehensive deductibles and that a premium savings could result if the higher deductibles were purchased as required by 215 ILCS 5/143.25a.

The Company is substantially complying with this Order.

ORDER #20: Institute and maintain procedures to inform all applicants for homeowner insurance who live in the New Madrid Seismic Zone that insurance for loss caused by earthquake is available to them as required by 215 ILCS 5/143.21c.

The Company is not substantially complying with this Order.

ORDER #21: Institute and maintain procedures whereby complaints received directly from the consumer are maintained in the same manner as complaints received from the Department of Insurance as mandated by 215 ILCS 5/143d and as further outlined in 50 Ill. Adm. Code 926.50.

The Company is substantially complying with this Order.

ORDER #22 Rockford Mutual Insurance Company, for the purpose of resolving the instant proceeding, shall pay to the Director of Insurance an amount of $30,000; $15,000 shall be payable within 30 days of the execution of this Order. The remaining $15,000 shall be payable to the Director after the re-examination of Rockford Mutual Insurance Company, but only if the Department of Insurance notifies Rockford Mutual Insurance Company that it has determined that Rockford Mutual Insurance Company has not substantially complied with the provisions of this Order.

The Company has partially complied with this Order.

II. SUMMARY

1. The Company was criticized under 215 ILCS 5/143.21c for failing to inform the insured of the availability of earthquake insurance.

   A general trend criticism was issued in the residential dwelling fire new business survey. This also violates Order #20 of the Stipulation and Consent Orders issued by the Director on August 30, 2010.

2. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(2) for failing to provide the claimants with a reasonable written explanation for the basis of denial.

   A general trend criticism was issued in the third party closed without payment survey. This also violates Order #4 of the Stipulation and Consent Orders issued by the Director on August 30, 2010.

3. The Company was criticized under 215 ILCS 5/143b for failing to return the insured's pro-rata share of the deductible resulting in underpayments of $2,837.65. The Company has reimbursed the insured.

   A general trend criticism was issued in the subrogation survey. This also violates Order # 5 of the Stipulation and Consent Orders issued by the Director on August 30, 2010.

4. The Company was criticized under 215 ILCS 5/154.6(r) for failing to treat all insureds equally as mandated by 215 ILCS 5/154.6(d) and for over paying the insureds when refunding the pro-rata deductible as related to 215 ILCS 5/143b.

   A class trend criticism was issued in the subrogation survey.

5. The Company was criticized under 50 Ill. Adm. Code 919.80(c) for failing to provide the right of recourse letter (known as Exhibit A) to the insured within 7 days of determination of the total loss.

   A general trend criticism was issued in the total loss survey

6. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(2) for failing to provide a reasonable written explanation for delay in payment to the insured, when the claim remained unresolved for more than 40 calendar days from the date of report to the date of final payment.

   A class trend criticism was issued. This is also a violation of Order #2 of the Stipulation and Consent Order issued by the Director of Insurance, State of Illinois on August 30, 2010.

7. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(4)(A)(iii) for failing to document the deduction for prior damage on a total loss claim resulting in an underpayment of $375.00. The company has refunded the underpayment to the insured.

8. The Company was criticized under 50 Ill. Adm. Code 919.80(c)(3)(A)(i) for failing to reimburse the correct amount for the tax, title and transfer fees to the insured resulting in an underpayment of $18.75. The company has refunded the underpayment to the insured.

9. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(3) for deducting $300.00 from the settlement amount for storage that did not result from the actions of the insured.

10. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(7)(B) for failing to provide the insured with a reasonable written explanation for delay when the claim remained unresolved for more than 75 days from the date of report.

A class trend criticism was issued in the farm owners closed without payment survey.

III. BACKGROUND:

<u>Rockford Mutual Insurance Company</u>, NAIC #27065

The Rockford Mutual Insurance Company (Company) was incorporated on December 8, 1971, under the laws of the State of Illinois to become the successor to Rockford District Mutual Tornado Insurance Company (District Mutual). The latter organized on November 2, 1896, in Illinois and began business on December 1, 1896, as Rockford Farmers' District Mutual Tornado Insurance Company. The word "Farmers'" was deleted from the corporate title on January 16, 1940. On January 1, 1972, the company absorbed the assets and assumed the liabilities of the former district mutual company. The Company primarily writes automobile liability, automobile physical damage, homeowners, farmowners and commercial multiple perils in Illinois, Wisconsin, Missouri and Indiana. It operates as a reinsurer of 20 farm mutual insurance companies located throughout Illinois, Wisconsin and Missouri. The company is also licensed in the state of Iowa.

The Company's 2010 NAIC Annual Statement, Page 19, reflects the following:

	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
03 Farmowners multiple peril	$1,699,770	$1,675,460	$684,741	$805,857
04 Homeowners multiple peril	$3,107,245	$2,666,403	$2,339,344	$1,889,935
5.2 Commercial multiple peril (liability portion)	$4,891,978	$4,817,924	$2,062,417	$3,202,518
19.2 Private passenger auto liability	$9,887,443	$9,405,330	$4,370,118	$5,581,252
21.1 Private passenger auto physical damage	$7,715,590	$7,334,753	$4,621,221	$4,688,292

V. METHODOLOGY:

The Market Conduct Examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants.

The following categories are the general areas examined:

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

The review of these categories is accomplished through examination of individual 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 report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated with the insurer, but not cited in the report if not indicative of a general trend, except to the extent that there were underpayments and/or overpayments.

The following method was used to obtain the required samples and to assure a methodical selection. Surveys were developed from Company generated Excel spreadsheets. Random statistical printout reports were generated by the examiners and presented to the Company for retrieval.

Claims were requested based on the settlement occurring 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.) and Part 919 (50 Ill. Adm. Code 919).

Selection of Samples

Survey	Population	# Reviewed	% Reviewed
Risk Selection:			
Automobile Nonrenewals	138	138	100.00%
Homeowner Nonrenewals	5	5	100.00%
Commercial Cancellations	101	101	100.00%
Commercial Nonrenewals	108	108	100.00%
Commercial Automobile Cancellations	6	6	100.00%
Commercial Automobile Nonrenewals	6	6	100.00%

Farm/Ranch Cancellations	1	1	100.00%
Producer Terminations	14	14	100.00%
Underwriting:			
Automobile New Business	3769	50	1.32%
Homeowner New Business	1285	60	4.66%
Residential Dwelling Fire New Business	43	43	100.00%
Farm Owners New Business	85	50	58.82%
Claims:			
Third Party Paid & Median Claims	881	106	12.03%
First Party Closed without Payment Claims	296	84	28.37%
Third Party Closed without Payment Claims	195	78	40.00%
Automobile Subrogation Claims	99	99	100.00%
Total Loss Claims	194	91	46.90%
Homeowners Paid & Median Claims	112	80	71.42%
Homeowners Closed without Payment Claims	51	51	100.00%
Residential Dwelling Fire Paid & Median Claims	9	9	100.00%
Residential Dwelling Fire Closed without Payment Claims	1	1	100.00%
Farm Owners Closed without Payment Claims	8	8	100.00%
Complaints & Producer Terminations:			
Department Complaints	7	7	100.00%
Consumer Complaints	4	4	100.00%

V. FINDINGS:

A. Risk Selections:

1. Automobile Nonrenewals

   Three automobile policy nonrenewals (2.17% of the 138 files reviewed) were criticized for failing to provide the required 60 day advance notice of nonrenewal when the policy was effective for more than 5 years as required by 215 ILCS 5/143.19.1.

Policy Number	Effective Date	Nonrenewal Date	Mail Date	Number of Days
[redacted]	08/12/00	08/12/10	06/30/10	43
	10/27/03	05/11/11	03/18/11	54
	03/02/04	03/02/11	01/19/11	42

2. Homeowner Nonrenewals

   There were no criticisms in this survey.

3. Commercial Cancellations

   Two commercial cancellations (1.98% of the 101 files reviewed) either failed to provide a specific explanation of the reason or reasons for cancellation (1 file) or failed to provide a 60 day advanced notice when the policy was effective for 61 days or more (1 file), as required by 215 ILCS 5/143.16.

   Two commercial cancellations (1.98% of the 101 files reviewed) were canceled for reasons other than those allowed by 215 ILCS 5/143.16a.

4. Commercial Nonrenewals

   There were no trends or areas of concern.

5. Commercial Automobile Cancellations

   There were no criticisms in this survey.

6. Commercial Automobile Nonrenewals

   There were no criticisms in this survey.

7. Farm/Ranch Cancellations

   There were no criticisms in this survey.

8. Producer Terminations

   There were no criticisms in this survey.

B. Underwriting

1. Automobile New Business

   There were no criticisms in this survey.

2. Homeowners New Business

   One homeowner new business policies (1.66% of the 60 files reviewed) failed to rate the premium correctly resulting in an undercharge of $39.00.

Policy #	**Calculated Premium**	**Charged Premium**	**Undercharge**
[redacted]	$692.00	$653.00	$39.00

3. Residential Dwelling Fire New Business

   Eight dwelling fire new business policies (18.60% of the 43 files reviewed and 80.00% of the files requiring earthquake insurance notification) failed to inform the insured of the availability of earthquake insurance, as required by 215 ILCS 5/143.21c.

   A general trend criticism was issued. This further violates Order #20 of the Stipulation and Consent Orders issued by the Director of Insurance on August 30, 2010.

4. Farm Owners New Business

   There were no criticisms in this survey.

C. Claims

1. Third Party Paid & Median

The median payment period without subrogation included was 12 days
The median payment period with subrogation included was 13 days distributed as follows:

Days	Number	Percentage
0-30	75	70.75%
31-60	13	12.26%
61-90	7	6.60%
91-180	5	4.72%
181-365	5	4.72%
Over 365	1	0.94%
Total	106	100.00%

Two third party paid claims (1.88% of the 106 files reviewed) failed to conduct a prompt investigation, as mandated by 215 ILCS 5/154.6c and as related to 50 Ill. Adm. Code 919.40.

2. First Party Closed without Payment

There were no trends or areas of concern.

3. Third Party Closed without Payment

One third party closed without payment claim (1.28% of the 78 files reviewed) failed to effectuate a fair settlement, as mandated by 215 ILCS 5/154.6d by denying the claim using the weather and ice as the reasons resulting in an undetermined underpayment.

Four third party closed without payment claims (5.12% of the 78 files reviewed) failed to complete a prompt investigation, as mandated by 215 ILCS 5/154.6c and as related to 50 Ill. Adm. Code 919.40.

Five third party closed without payment claims (6.41% of the 78 files reviewed) failed to provide the claimant with a reasonable written explanation for the basis of denial, as required by 50 Ill. Adm. Code 919.50(a)(2).

A general trend criticism was issued since this also violated Order # 4 of the Stipulation and Consent Orders issued by the Director of Insurance on August 30, 2010.

4. Automobile Subrogation

Thirteen subrogation files (13.13% of the 99 files reviewed) failed to reimburse the pro rata deductible to the insured, as required by 215 ILCS 5/143b, resulting in underpayments totaling $2,837.65. A general trend criticism was issued. The Company has reimbursed the insureds the appropriate amount of the deductible.

A general trend criticism was issued. This further violates Order #5 of the Stipulation and Consent Orders issued by the Director of Insurance on August 30, 2010.

Claim #	Deductible	Reimbursement Paid to Insured	Pro Rata Reimbursement Underpaid
[redacted]	$500.00	$0.00	$333.00
	$500.00	$0.00	$333.00
	$250.00	$0.00	$146.98
	$250.00	$0.00	$187.50
	$500.00	$0.00	$165.63
	$500.00	$0.00	$28.35
	$250.00	$200.00	$50.00
	$500.00	$0.00	$298.94
	$200.00	$0.00	$200.00
	$250.00	$0.00	$107.87
	$500.00	$0.00	$500.00
	$500.00	$0.00	$293.46
	$200.00	$0.00	$192.92

Five subrogation files (5.05% of the 99 files reviewed and 100.00% of the files not complying with company guidelines) either overpaid the insured his/her share of the pro-rata deductible after receiving recoveries from the adverse party (3 files), overpaid the insured the full portion his/her share of the pro-rata deductible when the adverse carrier already refunded the deductible (1 file), or refunded the pro-rata amount of the deductible twice (1 file) in violation of company guidelines resulting in overpayments of $923.87 and has further violated 215 ILCS 5/154.6(d) by not treating all insured equally. A class trend criticism was issued.

Claim #	Deductible	Required Reimbursement for Insured	Reimbursement Overpayment
[redacted]	$500.00	$500.00	$250.00
	$500.00	$296.97	$78.03
	$250.00	$134.50	$94.25
	$500.00	$0.00	$420.00

[redacted]	$500.00	$83.41	$81.59

5. Total Losses

The median payment period was 11 days distributed as follows:

Days	Number	Percentage
0-30	68	86.08%
31-60	10	12.66%
61-90	1	1.27%
91-180	0	0.00%
181-365	0	0.00%
Over 365	0	0.00%
Total	79	100.00%

Ten total loss claims (10.98% of the 91 files reviewed but 12.66% of the 79 actual total loss files reviewed) either failed to provide the right of recourse letter (known as Exhibit A) to the insured (4 files) or failed to provide the right of recourse letter within 7 days of determination of the total loss (6 files) as required by 50 Ill. Adm. Code 919.80(c). A general trend criticism was issued.

Three total loss paid claims (3.29% of the 91 files reviewed but 100.00% of the files requiring a delay letter) were criticized for failing to provide a reasonable written explanation for delay in payment to the insured, when the claim remained unresolved for more than 40 calendar days from the date of report to the date of final payment, as required by 50 Ill. Adm. Code 919.80(b)(2). A class trend criticism was issued.

This is a violation of Order #2 of the Stipulation and Consent Order issued by the Director of Insurance on August 30, 2010.

One total loss claim (1.26% of the 79 total losses reviewed) failed to include a prior damage estimate and no itemization or documentation for deducting storage fees from the settlement, as mandated by 50 Ill. Adm. Code 919.80(d)(4)(A)(iii), resulting in an underpayment as noted. A refund has been processed by the company.

Claim #	**Settlement Amount**	**Amount Paid**	**Underpayment**
[redacted]	$4575.00	$4200.00	$375.00

One total loss claim (1.26% of the 79 total losses reviewed) failed to pay the correct reimbursement for the tax, title and transfer fees relating to the replacement vehicle, as mandated by 50 Ill. Adm. Code 919.80(c)(3)(A)(i), resulting in an underpayment as noted. A refund has been processed by the company.

Claim #	Required Tax Reimbursement	Actual Tax Reimbursement	Underpayment
[redacted]	$1,385.63	$1,366.88	$18.75

One total loss claim (1.26% of the 79 total losses reviewed) made a deduction for storage from the settlement amount, in violation of 50 Ill. Adm. Code 919.80(d)(3), resulting in an underpayment of $300.00.

Claim #	Settlement Amount	Amount Paid	Underpayment
[redacted]	$5,007.64	$4,707.64	$300.00

6. Homeowner Paid & Median

The median payment period was 18 days distributed as follows:

Days	Number	Percentage
0-30	55	68.75%
31-60	12	15.00%
61-90	5	6.25%
91-180	6	7.50%
181-365	2	2.50%
Over 365	0	0.00%
Total	80	100.00%

There were no trends or areas of concern.

7. Homeowner Closed without Payment

There were no trends or areas of concern.

8. Residential Dwelling Fire Paid & Median

The median payment period was 50 days distributed as follows:

Days	Number	Percentage
0-30	3	33.33%
31-60	2	22.22%
61-90	3	33.33%
91-180	0	0.00%
181-365	0	0.00%
Over 365	1	11.11%
Total	9	100.00%

There were no criticisms in this survey.

9. Residential Dwelling Fire Closed without Payment

There were no criticisms in this survey.

10. Farm Owners Closed without Payment

Two farm owner closed without payment claims (25.00% of the 8 files reviewed but 100.00% of the filed requiring a delay letter) failed to provide the insured with a reasonable written explanation for delay when the claim remained unresolved for more than 75 days from the date of report, as required by 50 Ill. Adm. Code 919.80(d)(7)(B).

A class trend criticism was issued.

D. Complaints

1. Department Complaints

The were no criticisms in this survey.

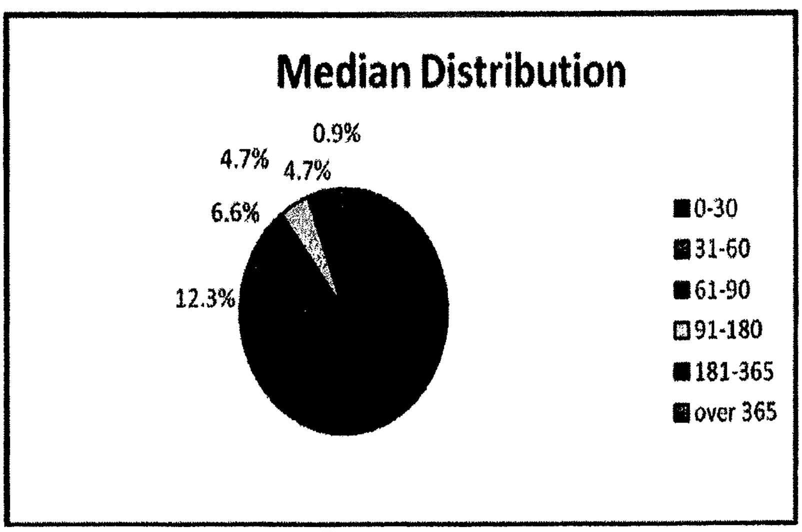
2. Consumer Complaints

There were no criticisms in this survey.

VI. TECHNICAL APPENDICES:

THIRD PARTY PAID & MEDIAN

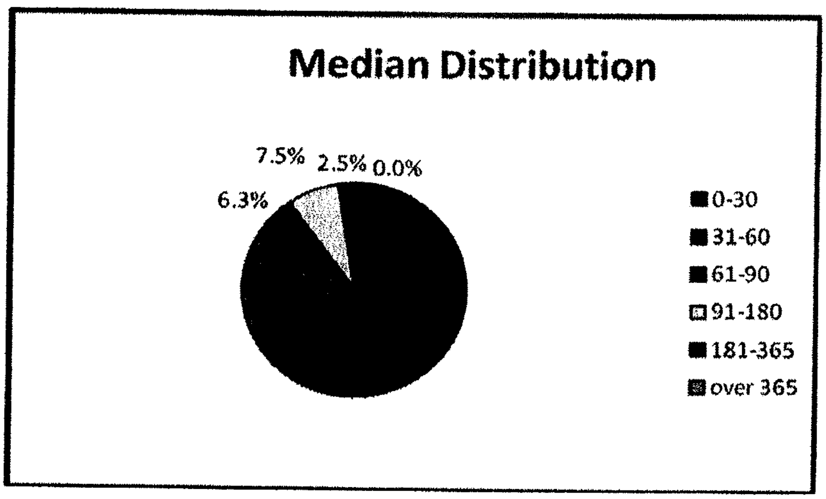
MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	75	70.75%
31-60	13	12.26%
61-90	7	6.60%
91-180	5	4.72%
181-365	5	4.72%
over 365	1	0.94%
Total	106	100.00%



VI. TECHNICAL APPENDICES (continued):

HOMEOWNERS PAID & MEDIAN

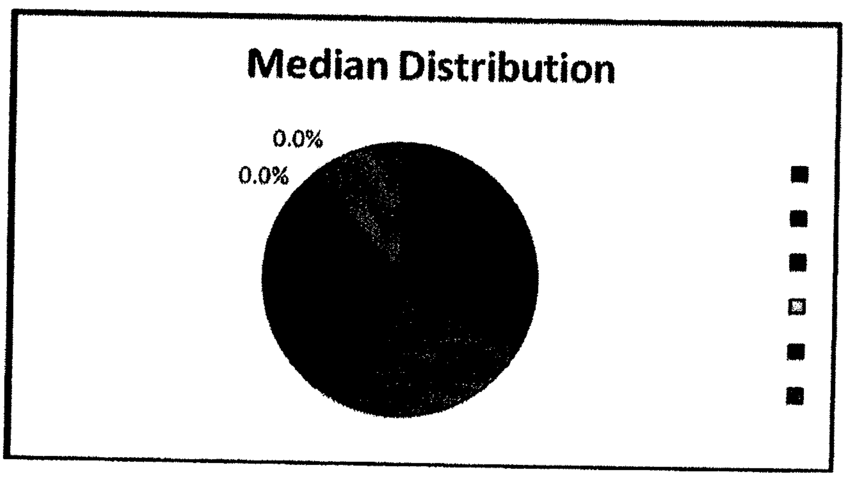
MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	55	68.75%
31-60	12	15.00%
61-90	5	6.25%
91-180	6	7.50%
181-365	2	2.50%
over 365	0	0.00%
Total	80	100.00%



VI. TECHNICAL APPENDICES (continued):

RESIDENTIAL FIRE PAID & MEDIAN

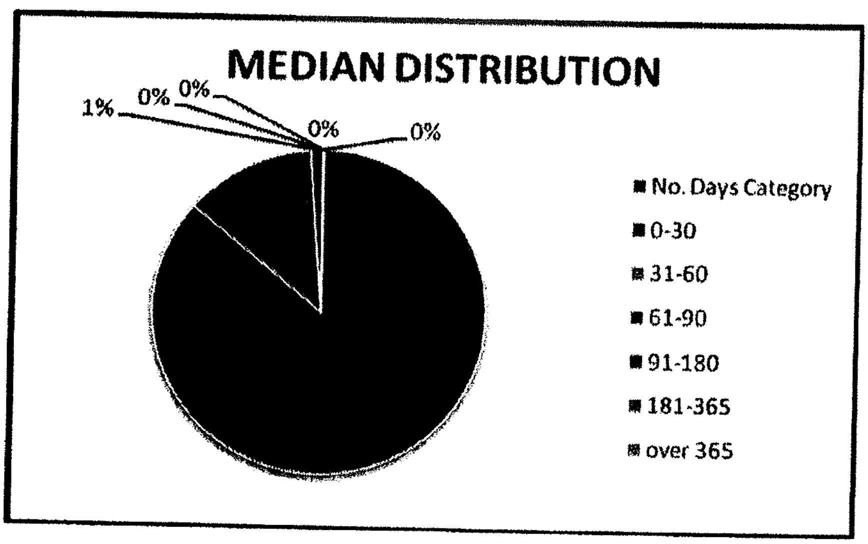
[illegible]	[illegible]	[illegible]
0-30	3	33.33%
[illegible]	[illegible]	[illegible]
61-90	3	33.33%
[illegible]	[illegible]	[illegible]
181-365	0	0.00%
[illegible]	[illegible]	[illegible]
Total	9	100.00%



VI. TECHNICAL APPENDICES (continued):

TOTAL LOSSES

MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	68	86.08%
31-60	10	12.66%
61-90	1	1.27%
91-180	0	0.00%
181-365	0	0.00%
over 365	0	0.00%
Total	79	100.00%



STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Bernie Sullivan, being first duly sworn upon his 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:

Rockford Mutual Insurance Company, NAIC #27065

That, as Examiner-In-Charge, he 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 he nor any other persons designated as examiners 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 policyholders, and that neither he nor any other persons designated as examiners 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 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.

Bernard D Sullivan Jr.
Bernie Sullivan
Examiner-In-Charge

Subscribed and sworn to before me
this 27 day of February 2013.

Denise L Finn
Notary Public

OFFICIAL SEAL
DENISE L FINN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/15/14

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE

IN THE MATTER OF:
ROCKFORD MUTUAL INSURANCE COMPANY
527 COLMAN CENTER DRIVE
ROCKFORD, IL 61108

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (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, Rockford Mutual Insurance Company (Company) is authorized under the insurance laws of this State and by the Director as a domestic mutual company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department examiners have filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said 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.

WHEREAS, the Company is aware of and understands its 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, it waives 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. That 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. That 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 procedures whereby third party claimants whose claim has been denied are provided a reasonable written explanation for the basis of denial as required by 50 Ill. Adm. Code 919.50(a)(2).

2. Institute and maintain procedures whereby the insured's pro rata share of the auto deductible is returned in accordance with 215 ILCS 5/143b.

3. Institute and maintain procedures whereby all insureds are treated equally pursuant to 215 ILCS 5/154.6d when refunding the pro-rata portion of the deductible as required by 215 ILCS 5/143b.

4. Institute and maintain procedures whereby all total loss paid claims are provided the right of recourse letter as outlined in 50 Ill. Adm. Code 919.80(c), Exhibit A.

5. Institute and maintain procedures whereby any insured that experiences a total loss to his/her vehicle whose claim remains unresolved for more than 40 days is provided a reasonable written explanation for delay as required by 50 Ill. Adm. Code 919.80(b)(2).

6. Institute and maintain procedures to inform all applicants for homeowner insurance who live in the New Madrid Seismic Zone that insurance for loss caused by earthquake is available to them as required by 215 ILCS 5/143.21c.

7. Institute and maintain procedures whereby farm owner policyholders whose claims remain unresolved for more than 75 days are provided a reasonable written explanation for delay as required by 50 Ill. Adm. Code 919.80(d)(7)(B).

8. Submit to the Director proof of compliance with the above seven Orders within 30 days of receipt of these Orders.

9. Pay to the Director within 30 days of receipt of these Orders, a civil forfeiture of $25,000, which includes $15,000 as a result of the Company's failure to comply with the Orders contained in the Stipulation and Consent Order entered into between the Director and the Company on August 30, 2010.

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 Rockford Mutual Insurance Company:

Signature

JOSEPH P. DECHATELETS
Name

PRESIDENT / CEO
Title

Subscribed and sworn to before me this 24 day of April A.D. 2013.

Notary Public

OFFICIAL SEAL
DIANA L. DAVIS
Notary Public, State of Illinois
My Commission Expires 06/01/13

On behalf of the Illinois Department of Insurance:

DATE April 29, 2013

Andrew Boron
Director

Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

April 29, 2013

Sent via U.S.P.S. Certified Mail
*return receipt requested

Patrick Kennedy
Casualty Claims Manager and Internal Counsel
Rockford Mutual Insurance Company
P.O. Box 5626
Rockford, IL 61125

Re: Market Conduct Re-Examination of Rockford Mutual Insurance Company Stipulation and Consent Order

Dear Mr. Kennedy,

The Department would like to thank you for submitting supplemental proof of compliance with the captioned Stipulation and Consent Order and for payment of the civil penalty resulting from the Market Conduct Re-examination. The initial proof submitted March 22, 2013 as supplemented by proof submitted April 25, 2013 constitutes satisfactory compliance with Orders #1-8 of the Stipulation and Consent Order. Rockford Mutual Insurance Company (Rockford) has satisfactorily complied with Orders #1-9. The Department will now be closing its file on this re-exam. Attached for your records is the captioned Stipulation and Consent Order which has been executed by yourself and Director Boron.

I would like to take this opportunity to thank both yourself and the employees of Rockford for the courtesy and professionalism shown to the Department and its examiners through the examination process. Please be advised that I intend to request that the Director make the Market Conduct Examination report public pursuant to Section 132 of the Illinois Insurance Code. (215 ILCS 5/132).

The Chicago office of the Illinois Department of Insurance is re-locating. As of May 8, 2013 our new address will be:

122 S. Michigan Ave, 19th Floor
Chicago, IL 60603

Please update your files and any correspondence you may have with policyholders or claimants.

Sincerely,

Anne Marie Skallerup

Anne Marie Skallerup
Staff Attorney

Enc: Stipulation and Consent Order