



Oregon

Tina Kotek, Governor



Division of
Financial
Regulation

Department of Consumer
and Business Services

October 3, 2023

Sent Via Certified Mail and electronic means to: sanderson@homesite.com,
Jeffrey.gagnon@homesite.com, jennifer.piczkowski@connectbyamfam.com

Certified Mail No: 7022 2410 0002 0306 0786

Attn: Susan Anderson, Chief Compliance Officer, Homesite, c/o Jennifer Piczkowski, Company
Coordinator
Homesite Insurance Company of the Midwest
8040 Excelsior Dr. Suite 400
Madison, WI 53717

Re: Targeted Market Conduct Examination Report
Homesite Insurance Company of the Midwest- NAIC Co Code# 13927

Dear Ms. Piczkowski,

Please find Homesite Insurance Company of the Midwest's (Homesite) market conduct examination report for your review. The division's examination team and the insurer examination staff attended a closing conference on September 26, 2023 to discuss the finalization of the report and address any concerns Homesite might have around the examination.

Insurer report response

Generally, we expect the insurer will respond in writing to the findings and recommendations in the draft within 30 calendar days. During this period the report will not be published, however, the division reserves the right to issue the report to the public without an insurer response if the insurer does not respond within the time allotted. In such cases, we will indicate that we provided the insurer with the opportunity to respond, but the insurer declined to do so or did not do so within the required timeframe.

The response, signed by the responsible company official should be provided as a scanned pdf. The insurer should include in its response the corrective actions it has taken or plans to take in response to the examination and examination report and an estimated timeframe for their implementation. The insurer's response will be included with the final report. The division reserves the right to respond to an insurer's response if the contents of the response are not factual or if, in the judgment of the director, the response requires clarification. We will notify the Insurers that disagree with findings, conclusions, and recommendations in the report the insurer of the disagreement before the release of the report and will allow the insurer to amend its written report response.

Insurers can request a hearing with Director Stolfi under ORS 731.312(3). Insurers that would like to request a hearing with the Director can email dfc.pcmarketconduct@dcbs.oregon.gov. Hearing requests must be received *before* the expiration of the 30 day report consideration period. The hearing with the Director is not a contested case hearing.

Safeguarding draft reports and documentation

The draft examination reports are subject to further review and revision and are not to be considered final. Early disclosure could result in the dissemination of erroneous information or recommendations. The insurer should limit and control the distribution of draft reports. In addition, except for the final draft, draft reports and exam documentation are not subject to public records requests.

The public report

The written public report is generally the best vehicle for communicating the results of each exam. The division will provide the insurer with the expected date for releasing the final exam report and publishing it to the division's website.

Legislative testimony

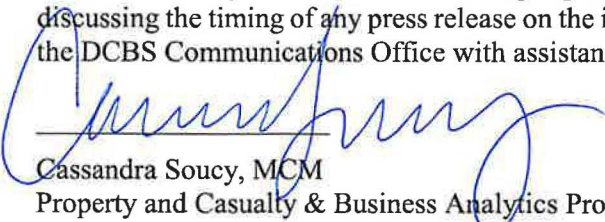
Legislative committees may request that the division prepare testimony and appear at hearings. When the division testifies about a publicly released report or management letter, the testimony will be fact-based and the conclusions and recommendations will mirror those in the written report.

Recommendation follow-up

The division's recommendations are intended to improve the economy, efficiency, and effectiveness of an insurer's operations and to improve the accountability of insurers providing benefits to Oregonians. We will monitor and may report on an insurer's progress in implementing recommendations. The division will follow up on recommendations as part of recurring examination work or as an activity separate from any other examination activity. When following up on recommendations, we ask the insurer to provide evidence of implementation. Division staff will then assess the evidence and make an independent judgment call as to the status of recommendation implementation.

Press policy

The division may issue a press release highlighting results of insurer examination reports. We are still discussing the timing of any press release on the individual report. Press questions will be handled with the DCBS Communications Office with assistance from examination staff.



Cassandra Soucy, MCM
Property and Casualty & Business Analytics Program Manager
Division of Financial Regulation
Oregon Dept. of Consumer & Business Services
Ph. 503-947-7205



**Department of Consumer
and Business Services**

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

MARKET CONDUCT EXAMINATION REPORT

OF:

**HOMESITE INSURANCE COMPANY OF THE MIDWEST
MADISON, WISCONSIN
NAIC COMPANY CODE 13927
GROUP CODE 473**

AS OF: August 23, 2023

EXAMINATION PERIOD: AUGUST 1, 2020 THROUGH JANUARY 31, 2022

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Andrew Stolfi, Director
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter Street, NE
P.O. Box 14480
Salem, OR 97309-0405

Dear Director Stolfi:

In accordance with your instructions and pursuant to ORS 731.300, a targeted market conduct examination has been performed for:

**HOMESITE INSURANCE COMPANY OF THE MIDWEST
MADISON, WISCONSIN**

NAIC Company Code 13927

Group Code 473

NAIC Exam Tracking System Exam Number OR-EMANUELS-4

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

FOREWORD

The examination report does not present a comprehensive overview of the Company's practices. The examination report provides details regarding the market conduct standards selected for the scope of the examination. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon or criticize non-compliant practices does not constitute acceptance of such practices. This targeted market conduct examination report reflects the Oregon insurance activities of Homesite Insurance Company of the Midwest. The targeted market conduct examination findings are being stated in a report by test format. The materials reviewed during the market conduct examination, as reference to any practices, procedures, product forms including filings, and data files are contained in this examination report.

SCOPE OF EXAMINATION

This targeted market conduct examination was performed remotely via desk examination and was conducted as of August 23, 2023 covering the period of August 1, 2020 through January 31, 2022. The examination of the Company was conducted pursuant to Oregon Revised Statute (ORS) 731.300 and in accordance with procedures and guidelines established by the Division of Financial Regulation's Property and Casualty Market Conduct Program. The program generally follows the Market Conduct Examination Handbook as adopted by the National Association of Insurance Commissioners to the extent that it is consistent with Oregon law. The purpose was to determine the Company's compliance with the Wildfire Emergency Order issued by the DCBS Director dated September 18, 2020, Bulletin No. DFR 2020-20, and ORS 742.470 as required by House Bill (HB) 3272. See Appendix A for zip codes included in Bulletin No. DFR 2020-20. The Company's underlying data and materials were measured against established standards. A list of all standards considered can be found in Appendix B at the end of this

report. In this report, standards with 100% compliance are identified as passed without comment. Exceptions include standards with less than 100% compliance that either warranted a recommendation or where errors were noted but a recommendation was not made. If the examiner notes a material finding not included in the established standards, it is noted under the additional findings section.

EXECUTIVE SUMMARY

The targeted market conduct examination focused on the Company's homeowners' business in the following areas of operation: underwriting and rating, and forms. The Company passed all standards subject of this examination. The Company received a comment regarding Standard #8. Cancellation / non-renewal, discontinuance and declination notices comply with policy and contract provisions, state laws and the regulated entity's guidelines. Reference: Oregon Revised Statutes (ORS) ORS 731.870, ORS 84.070, ORS 746.005 to 746.270; OAR 836-080-0235, and OAR 836-085-0010 to 836-085-004; Executive Order 2035. The comment was a result of one policy that was non-renewed during the time period for which the Emergency Order was in effect. The company did not issue a notice of suspension to the previously issued non-renewal notice as required by the Wildfire Emergency Order under section 16b. The Company was not in agreement with the examiners finding of non-compliance.

EXAMINATION FINDINGS

If applicable, examination findings comprise the basic body of the report including – sample sizing, error %, alleged violations and documentation pertaining to pertinent regulations or statues. Areas of review may include forms, marketing and sales, producer licensing, rating of policies, underwriting, rescinded policies, cancelled or non-renewed policies, claims paid or denied, and complaints.

The standards under examination were:

Standard #1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan. Reference: ORS 737.007 to 737.560.

The Company provided and the examiners reviewed all data requested regarding all homeowners' policies for the examination period of August 1, 2020 to January 31, 2022.

The examiner verified:

- There were 84,147 homeowner policies statewide.
- Out of the 84,147 statewide homeowner policies, 35,938 homeowner policies or 42.70% were renewed during the examination period of August 1, 2020 through January 31, 2022.
- Out of the 35,938 renewed statewide homeowner policies, 3,999 homeowner policies or 11.12% were in Bulletin No. DFR 2020-20 zip codes.
- Out of the 3,999 statewide homeowner policies that renewed in the Bulletin No. DFR 2020-20 zip codes, there were 261 homeowner policies or 6.52% with claims during the examination period of August 1, 2020 through January 31, 2022.
- Out of the 261 statewide homeowner policies with claims within the Bulletin No. DFR 2020-20 zip codes, 149 homeowner policies or 57.08% had a claim related to the wildfire event.
- Out of the 261 statewide homeowner policies with claims within the Bulletin No. DFR 2020-20 zip codes, three homeowner policies had claim surcharges and/or claim surcharges with an increased property value as a reason for premium increase.
- Out of the three homeowner policies that had claim surcharges and/or claim surcharges with an increased property value as a reason for premium increase, one or 33.33% homeowner policies with claims within the Bulletin No. DFR 2020-20 zip codes were related to the wildfire event.

The Company passed this standard without comment as premiums were not increased, nor were surcharges applied and discounts removed solely due to a claim related to the wildfire event during the examination period of August 1, 2020 to January 31, 2022. Zero policies received additional surcharges as a result of claims made due to the wildfire event of September 2020. Additionally, comparing between

policy premium adjustments with a claim related to the wildfire event, and policies with a claim and/or those without a claim, the Company adjusted premiums in proportionate percentages at each homeowner policy renewal.

Standard #5 All forms, including policies, contracts, riders, amendments, endorsement forms, and certificates are filed with the insurance department, if applicable. Reference: ORS 746.005 to 746.270; and OAR 836-080-0235. The Company provided a list which included the SERFF filing number and policy forms as a result of the implementation of HB 3272. The examiner verified:

- The Company updated their homeowner policy forms via amendments; Form number HH01 36, Special Provisions Oregon/HO3, HO4 and HO6, Form HA01 36 OR, Special Provisions OR / HO3 and HO4, Form number HF 01 36 OR, Special Provisions OR / HF9.
- The filing number for the updated forms are HMSS-133069361 and HMSS-133095740.

The Company passed this standard without comment as the Company filed and updated their homeowner policy contract forms consistently with the provisions of HB 3272. All the policy filings complied with language requirements, as directed by ORS 742.470 and HB 3272.

Standard #6 Policies, contracts, riders, amendments and endorsements are issued or renewed accurately, timely and completely. Reference: ORS 84.070; ORS 742.250 to 742.572 and OAR 836-085-0010 to 836-085-0045. The examiner verified:

- Procedural documentation illustrating how policyholders are informed of policy endorsements upon renewals as a result of the implementation of HB 3272.
- The Company has compliance processes to provide guidance to impacted departments in order to ensure compliance HB 3272 and ORS 742.470.
- The amendment addresses very specific loss conditions, including the declaration of an emergency under ORS 401.165.

The Company passed this standard without comment, as it updated related policy forms as a result of the implementation of HB 3272 timely. Additionally, the Company has a business practice to prepare for future declaration of emergencies. The Company began including a copy of the approved amendment with each renewal policy as they became effective on March 31, 2022 and on February 11, 2022 for new business customers.

Standard #8 Cancellation/nonrenewal, discontinuance and declination notices comply with policy and contract provisions, state laws and the regulated entity's guidelines. Reference: ORS 84.070; ORS 746.005 to 746.270; OAR 836-080-0235; and OAR 836-085-0010 to 836-085-0045. The Company provided data regarding all homeowners' policies for the examination period of August 1, 2020 to January 31, 2022. The examiner verified:

- There were a total of 84,147 homeowner policies statewide.
- Out of the 84,147 homeowner policies statewide, 23,754 policies or 28.22% cancelled or non-renewed during the examination period of August 1, 2020 thru January 1, 2022.
- Out of the 23,754 homeowner policies statewide that cancelled or non-renewed, 2,571 policies or 10.82% were in the zip codes identified in the Bulletin No. DFR 2020-20.
- Out of the 2,571 homeowner policies that cancelled or non-renewed within the zip codes identified in the Bulletin No. DFR 2020-20, 194 policies or 7.54% cancelled or non-renewed during the period for which the Wildfire Emergency Order dated September 18, 2020 was in effect.
- Out of the 194 homeowner policies identified in Bulletin No. DFR 2020-20, one or 4.16% was non-renewed by the insurer for which the Wildfire Emergency Order dated September 18, 2020 was in effect.

The examiner confirmed the company sent the one homeowner policyholder a notice of non-renewal on August 13, 2020 with an effective non-renewal date of October 19, 2020. The company did not issue a

notice of suspension to the previously issued non-renewal notice as required by the Wildfire Emergency Order under section 16b. The policy in question was non-renewed as of October 19, 2020. The company passed this standard with comment.

Additionally, the examiner reviewed the Company's provided samplings of communications which were provided to policyholders upon cancelation or non-renewal of policies. Such communications were accurate and complete in providing information contained in Bulletin No. DFR 2020-20.

ADDITIONAL FINDINGS

The examiner noted no additional findings.

CONCLUSIONS

The Company passed all of the standards subject of this examination.

The Company was prompt, timely and cooperative in addressing all inquiries during the course of the examination.

ACKNOWLEDGMENT

The cooperation and assistance rendered by the officers and employees of the Company during this examination is acknowledged and appreciated. A special thanks is extended to the Examination Coordinator for her courtesy and assistance providing, correlating, or coordinating all requested documents to ensure a smooth transition during the overall examination process. Besides the undersigned, Ana Pace participated in this examination.

Respectfully submitted,

Cassandra Soucy

Cassandra Soucy

Cassandra Soucy
Property and Casualty & Business
Analytics Program Manager
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon

10/3/2023
Date

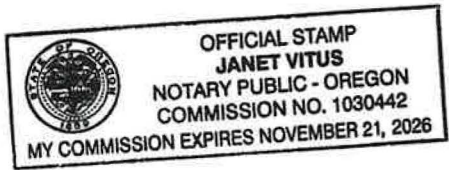
State of Oregon)
)
County of Marion)

I, Janet Vitus, Notary Public, do hereby certify that Cassie Soucy personally appeared before me this day and acknowledged the forgoing instrument(s).

Witness my hand and official seal this 3rd day of October, 2023.

Janet Vitus
Signature of Notary

Janet Vitus
Notary Printed Name
My Commission Expires: Nov 21, 2026



AFFIDAVIT

The examination was conducted in accordance with the Oregon Department of Consumer and Business Services, Division of Financial Regulation and the National Association of Insurance Commissioners Market Conduct Examination procedures.

In addition to the undersigned, Sandra .J Emanuel, participated in this examination and the preparation of this report.

Respectfully submitted,

Sandra J. Emanuel

Sandra J Emanuel

10.3.23

Date

Sandra J. Emanuel
Insurance Examiner
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon

State of Oregon)

County of Marion)

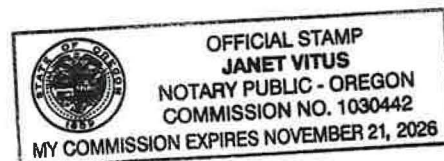
I, Janet Vitus, Notary Public, do hereby certify that Sandra Emanuel personally appeared before me this day and acknowledged the forgoing instrument(s).

Witness my hand and official seal this 3rd day of October, 2023.

Janet Vitus
Signature of Notary

Janet Vitus
Notary Printed Name

My Commission Expires: Nov 21, 2026



**DIVISION OF FINANCIAL REGULATION
MARKET CONDUCT EXAMINATION**

**Homesite Insurance Company of the Midwest
NAIC Code 13927
Group 473**

APPENDIX A

Bulletin No. DFR 2020-20 zip codes

97004, 97009, 97011, 97017, 97022, 97023, 97028, 97037, 97038, 97042, 97045, 97055, 97067, 97123, 97132, 97140, 97339, 97358, 97375, 97342, 97350, 97523, 97538, 97636, 97327, 97739, 97346, 97360, 97368, 97374, 97381, 97383, 97384, 97385, 97386, 97413, 97438, 97443, 97446, 97447, 97454, 97470, 97478, 97479, 97488, 97489, 97494, 97501, 97504, 97520, 97522, 97524, 97534, 97535, 97536, 97539, 97540, 97541, 97543, 97544, 97604, 97730, 97731, 97733, 97737, 97759, 97761

APPENDIX B

Underwriting – Forms

<u>#</u>	<u>Standard</u>	<u>Regulatory Authority</u>
1	The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan.	ORS 737.007 to 737.560
5	All forms, including policies, contracts, riders, amendments, endorsement forms, and certificates are filed with the insurance department, if applicable.	ORS 746.005 to 746.270; and OAR 836-080-0235
6	Policies, contracts, riders, amendments and endorsements are issued or renewed accurately, timely and completely.	ORS 84.070; ORS 742.560 to 743.572; and OAR 836-085-0010 to 836-085-0045
8	Cancellation/nonrenewal, discontinuance and declination notices comply with policy and contract provisions, state laws and the regulated entity's guidelines.	ORS 84.070; ORS 746.005 to 746.270; OAR 836-080-0235; and OAR 836-085-0010 to 836-085-0045