

Connecticut Insurance Department Market Conduct Report

**FOREMOST INSURANCE COMPANY GRAND RAPIDS, MICHIGAN
(NAIC 11185)**

DECEMBER 23, 2024

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I. INTRODUCTION

A. Statutory Authority

By authority granted under Section 38a-15 of the Connecticut General Statutes, this examination was conducted by Market Conduct examiners of the State of Connecticut Insurance Department.

B. Scope of Examination

From March 1, 2023 to on or about October 23, 2023, the Market Conduct Division of the Connecticut Insurance Department examined the market conduct practices of the company using a sample period of June 30, 2019 through July 1, 2021. The examination was limited to Connecticut business.

C. Company Profile

Company	Commenced Business	Domicile State	NAIC #
Foremost Ins. Co. Grand Rapids, Michigan	6/12/1952	Michigan	11185
	Connecticut	Total	
Direct Premiums Written as of 12/31/22	\$42,581,656	\$3,017,463,221	

D. Market Conduct Reports

The examiners generated a listing of market conduct examination reports using National Association of Insurance Commissioners' I-Site. This information was used to request market conduct examination reports from the company.

The examiners obtained copies of all relevant market conduct examination reports which had been issued to the company during the three (3) years preceding the examination. The reports were reviewed to identify any recommendations that had been made by the respective Insurance Departments and to determine whether the company had taken appropriate corrective action in response to those recommendations.

E. Privacy of Consumer Financial Information

Standard 1: The company has adequate procedures in place for the protection of consumer financial information.

The company appears to be in compliance.

Standard 2: The company provides each consumer with an initial privacy notice in accordance with statutes, rules and regulations.

The company appears to be in compliance.

Standard 3: The company provides each consumer with an annual privacy notice in accordance with statutes, rules and regulations but at a minimum annually.

The company appears to be in compliance.

Standard 4: The company provides each consumer with an opt out notice in accordance with statutes, rules and regulations.

The company appears to be in compliance.

Standard 5: The company provides each consumer with a revised privacy notice in accordance with statutes, rules and regulations.

The company appears to be in compliance.

Standard 6: All notices are provided in the required timeframe so as to minimize any improper intrusion into the privacy of consumers.

The company appears to be in compliance.

Standard 7: The company complies with all requirements for the disclosure of nonpublic personal financial information to nonaffiliated third parties so as to minimize any improper intrusion into the privacy of consumers.

The company appears to be in compliance.

Standard 8: The company complies with all requirements for the disclosure and redisclosure of nonpublic personal financial information so as to minimize any improper intrusion into the privacy of consumers.

The company appears to be in compliance.

Standard 9: The company has procedures for the sharing of consumer account numbers so as to minimize any improper intrusion into the privacy of consumers.

The company appears to be in compliance.

II. ITEMS EXAMINED

A. Operations and Management

Standard 1: The company has an up-to-date, valid internal or external audit program.

The company appears to be in compliance.

Standard 2: The company has appropriate controls, safeguards and procedures for protecting the integrity of computer information.

The company appears to be in compliance.

Standard 3: The company has an antifraud plan in place.

The company appears to be in compliance.

Standard 4: The company has a valid disaster recovery plan.

The company appears to be in compliance.

Standard 5: The company adequately monitors the activities of the managing general agents.

The company does not have managing general agents.

Standard 6: The company's contract with managing general agents comply with applicable statutes, rules and regulations.

The company does not have managing general agents.

Standard 7: Records are adequate, accessible, consistent and orderly, and comply with State record retention requirements.

The company appears to be in compliance.

Standard 8: The company is licensed for the lines of business that are being written.

The company is licensed.

Standard 9: The company cooperated on a timely basis with examiners performing the examination.

The company cooperated on a timely basis.

B. Complaint Handling

Standard 1: All complaints are recorded in the required format on the company' complaint register.

The company appears to be in compliance.

Standard 2: The company has adequate complaint handling procedures in place and communicate such procedures to policyholders.

The company appears to be in compliance.

Standard 3: The company takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations, and contract language.

The company appears to be in compliance.

Standard 4: The time frame within which the company responded is in accordance with applicable statutes, rules and regulations.

The company appears to be in compliance.

C. Marketing and Sales

Standard 1: All advertising and sales materials are in compliance with applicable statutes, rules and regulations.

The company appears to be in compliance.

Standard 2: The company's internal producer training materials are in compliance with applicable statutes, rules and regulations.

The company appears to be in compliance.

Standard 3: The company's communications to producers are in compliance with applicable statutes, rules and regulations.

The company appears to be in compliance.

Standard 4: The company's mass marketing of property and casualty insurance is in compliance with applicable statutes, rules and regulations.

The company appears to be in compliance.

D. Producer Licensing

Standard 1: The company's records of licensed and appointed producers agree with Insurance Department's records.

The company appears to be in compliance.

Standard 2: The producers are properly licensed and appointed in the jurisdiction where the application was taken.

The company appears to be in compliance.

Standard 3: Termination of producers complies with statutes regarding notification to the producer and notification to the State, if applicable.

The company appears to be in compliance.

Standard 4: The company's policy of producer appointments and terminations does not result in unfair discrimination against policyholders.

The company appears to be in compliance.

Standard 5: Records of terminated producers adequately document the reasons for termination.

The company appears to be in compliance.

E. Policyholder Service

Standard 1: Premium notices and billing notices are sent out with an adequate amount of advance notice.

The company appears to be in compliance.

Standard 2: Policy issuance and insured requested cancellations are timely.

The company appears to be in compliance.

Standard 3: All correspondence directed to the company is answered in a timely and responsive manner by the appropriate department.

The company appears to be in compliance.

F. Underwriting and Rating

Standard 1: The rates charged for the policy coverage are in accordance with filed rates or the company's rating plan.

In a review of Personal Auto new business, there were five (5) files with territory rating factor errors.

Standard 2: Disclosures to insureds concerning rates and coverages are accurate and timely.

The company appears to be in compliance.

Standard 3: The company does not permit illegal rebating, commission cutting or inducements.

The company appears to be in compliance.

Standard 4: Credits and deviations are consistently applied on a non-discriminatory basis.

The company appears to be in compliance.

Standard 5: Schedule rating or individual risk premium modification plans, where permitted, are based on objective criteria with usage supported by appropriate documentation.

The company appears to be in compliance.

Standard 6: The company's underwriting practices are not unfairly discriminatory. The company adheres to applicable statutes, rules, regulations and company' guidelines in the selection of risks

The company appears to be in compliance.

Standard 7: All forms and endorsements forming a part of the contract are listed on the declarations page and should be filed with the Department of Insurance.

The company appears to be in compliance.

Standard 8: The producers are properly licensed and appointed in the jurisdiction where the application was taken.

The company appears to be in compliance.

Standard 9: Underwriting, rating and classifications are based on adequate information developed at or near inception of the coverage rather than near expiration or following a claim.

The company appears to be in compliance.

Standard 10: File documentation adequately supports decisions made.

The company appears to be in compliance.

Standard 11: Policies and endorsements are issued or renewed accurately, timely and completely.

The company appears to be in compliance.

Standard 12: Audits, when required, are conducted accurately and timely.

The company appears to be in compliance.

Standard 13: The company verifies that Vehicle Identification Numbers submitted with applications are valid and that the correct symbols are utilized.

The company appears to be in compliance.

Standard 14: The company does not engage in collusive or anti-competitive underwriting practices.

The company appears to be in compliance.

Standard 15: Rejections and declinations are not unfairly discriminatory.

The company appears to be in compliance.

Standard 16: Cancellation/non-renewal notices comply with policy provisions and State laws, and the company's guidelines.

In a review of Personal Auto nonrenewal files, there were five (5) errors – two renewals not sent with the proper notice, and three files with the payouts of accidents not listed.

Standard 17: Cancellation/non-renewal notices comply with policy provisions and State laws, including the amount of advance notice provided to the insured and other parties to the contract.

In a review of Personal Auto cancellation files, there were twenty-seven (27) errors. Twenty-two (22) notices had nonspecific cancellation reasons, indicating insureds were cancelled due to non-payment "or other valid reasons."

Five (5) notices indicated that the policy was being rescinded, when in fact, the policy was a cancellation non-pay at inception.

Standard 18: Unearned premiums are correctly calculated and returned to appropriate party in a timely manner, and in accordance with applicable statutes, rules and regulations.

The company appears to be in compliance.

Standard 19: Rescissions are not made for non-material misrepresentation.

The company appears to be in compliance.

Standard 20: All policies are correctly coded.

The company appears to be in compliance.

G. Claims

The company provided a listing of claims paid and denied during the period of examination. The claim files were reviewed to determine if they were handled in accordance with policy provisions, and applicable statutes and regulations.

Standard 1: The initial contact by the company with the claimant is within the required time frame.

The companies appear to be in compliance.

Standard 2: Timely investigations are conducted.

The company appears to be in compliance.

Standard 3: Claims are resolved in a timely manner.

In a sample of Private Passenger Auto Litigated claims, there was one (1) file with a claim delay.

In a sample of Property Closed without pay claims, there were three (3) files with claims delays.

In a sample of Private Passenger Auto Transportation Expense claims, there was one (1) file with a claims delay.

In a sample of Private Passenger Auto property damage claims, there were two (2) files with claims delays.

In a sample of Private Passenger Auto closed without pay claims, there were two (2) files with claims delays.

Standard 4: The company respond to claim correspondence in a timely manner.

The company appear to be in compliance.

Standard 5: Claim files are adequately documented.

The company appears to be in compliance.

In a sample of Auto Collision claims, there were twenty-two (22) total loss files where condition adjustments were not properly documented. As a result of this, the company remediated \$13,442.04 to the insureds.

In a sample of Auto Property Damage claims, there were eight (8) total loss files where condition adjustments were not properly documented. As a result of this, the company remediated \$6,572.17 to the claimants.

In a sample of Auto closed without pay claims, there was one (1) total loss file where condition adjustments were not properly documented. As a result, the company remediated \$681.11 to the customer.

In a sample of Auto comprehensive claims, there were four (4) total loss files where condition adjustments were not properly documented. As a result, the company remediated \$2,700.31 to the customers.

In a sample of Auto litigated claims, there were five (5) total loss files where condition adjustments were not properly documented. As a result, the company remediated \$3,335.47 to the customers.

After analyzing its total loss claims in the exam period, the company agreed that the claims were lacking in documentation for its condition adjustments. The company agreed to remediate the total loss claims not already accounted for in this report. The company reviewed 534 total loss claims, and the remediation amount was \$321,245.32.

Standard 6: Claim files are handled in accordance with policy provisions and applicable statutes, rules and regulations.

In a sample of Homeowner paid claims, there were three (3) files with claim handling errors.

In a sample of Property closed without pay claims, there were three (3) files with claim handling errors. The company remediated the consumers \$5,404.47 because of these errors.

In a sample of Property Subrogation claims, there was one (1) file with a claim handling error.

In a sample of Auto Property Damage claims, there were two (2) files where the company did not send settlement letters in excess of ten thousand dollars to claimants.

In a sample of Auto closed without pay claims, the company did not undertake to pay loss of use in one (1) instance, resulting in a \$34.95 remediation payment.

Standard 7: The company uses the reservation of rights and excess of loss letters when appropriate.

The company appears to be in compliance.

Standard 8: Deductible reimbursement to insureds upon subrogation recovery is made in a timely and accurate manner.

The company appears to be in compliance.

Standard 9: The company's claim forms are appropriate for the type of product.

The company appears to be in compliance.

Standard 10: Claim files are reserved in accordance with the company's established procedures.

The company appears to be in compliance.

Standard 11: Denied and closed without payment claims are handled in accordance with policy provisions and State law.

In a sample of Personal Auto closed without pay claims, one (1) file was not properly investigated.

Standard 12: Cancelled benefit checks and drafts reflect appropriate claim handling procedures.

The company appears to be in compliance.

Standard 13: Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.

The company appears to be in compliance.

Standard 14: The company uses licensed adjusters and (Connecticut) appraisers in the handling of casualty claims.

In a sample of Homeowner paid claims, two (2) adjusters were unlicensed.

Standard 15: Loss statistical coding is complete and accurate.

The company appears to be in compliance.

Standard 16: Release by injured person voidable if obtained within fifteen days.

In a sample of Personal Auto closed without pay claims, one (1) file had a bodily injury claim negotiated within 15 days of the tortious act.

III. SUMMARY OF RECOMMENDATIONS

Underwriting/Rating

1. It is required that the company comply with 38a-686(a) with regard to making sure risks are rated in the correct territory.
2. It is required that the company send its nonrenewals with the proper notice as required by 38a-323(a)(1)
3. It is required that the company nonrenew for specific reasons as required by Statute 38a-323(a)(1).
4. It is required that the company cancel policies for specific reasons as required by Statute 38a-323(a)(1).

Claims

1. It is required that the company act with reasonable promptness upon communications as mandated by Statute 38a-816(6)(B).

2. It is required that the company settle claims fairly in accordance with Statute 38a-816.
3. It is required that the company use any third party settlement tools in compliance with documentation requirements in Statute 38a-15 and 38a-816.
4. It is required that the company document total loss condition adjustments in compliance with Statutes 38a-15, 38a-353 and 38a-816.
5. It is required that the company use mandated Connecticut State language on its claim denial letters in compliance with Statute 38a-323(b).
6. It is required that the company comply with Connecticut Regulation 52-225(e) with regard to notices to insureds for claim settlements in excess of \$10,000.
7. It is required that all claims adjusters are properly licensed in accordance with Statute 38-792.
8. It is required that the company not negotiate, settle or offer bodily injury claims settlements within 15 days of the tortious act as required by Connecticut Regulation 52-572a.
9. It is required that the company undertake to pay Loss of Use on automobile claims in compliance with Connecticut Regulation 38a-334.

IV. ACKNOWLEDGMENT

The courtesy and cooperation of Foremost during the course of this examination is acknowledged.

Nicholas Gill, La-Keya Daniels, Spencer McCauley and Edward Zavarella participated in the examination and preparation of this report.



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

----- X
IN THE MATTER OF: DOCKET MC 24-31
FOREMOST INSURANCE COMPANY GRAND RAPIDS MICHIGAN:
----- X

STIPULATION AND CONSENT ORDER

It is hereby stipulated and agreed between Foremost Insurance Company Grand Rapids Michigan and the State of Connecticut Insurance Department by and through Andrew N. Mais, Insurance Commissioner to wit:

I

WHEREAS, pursuant to a Market Conduct examination, the Insurance Commissioner alleges the following with respect to Foremost Insurance Company Grand Rapids Michigan:

1. Foremost Insurance Company Grand Rapids Michigan, hereinafter referred to as Respondent, is domiciled in the State of Michigan and is licensed to transact property and casualty insurance in the State of Connecticut. The NAIC company code number is 11185.
2. From March 1, 2023 through October 23, 2023, the Department conducted an examination of Respondent's market conduct practices in the State of Connecticut covering the period July 1, 2019 through June 30, 2021.
3. During the period under examination, Respondent failed to follow established practices and procedures to ensure compliance with statutory requirements resulting in instances of:
 - (a) Improper claims settlement
 - (b) One (1) instance of settling a bodily injury claim within 15 days
 - (c) One (1) instance of failure to pay Loss of Use
 - (d) Failure to use required state language on claim denial correspondence
 - (e) Failure to properly document automobile total loss valuations

- (f) Two (2) individuals acting as claims adjusters without the proper licensing
 - (g) Improper rating of automobile policies
 - (h) Improper cancellation and nonrenewal of insurance policies
4. The conduct described in paragraph three is in violation of Sections 38a-816, 38a-686(a), 38a-323, 38a-343, 38a-816, 38a-702b and 38a-792 of the Connecticut General Statutes, and 52-225(c), 52-572a, 38a-334-2(c) and 38a-334-5(a) of the Connecticut Regulations and constitutes cause for the imposition of a fine or other administrative penalty under Sections 38a-2 and 38a-41 of the Connecticut General Statutes.

II

1. WHEREAS, Respondent neither admits nor denies the allegations in paragraphs three and four of Article I of this Stipulation and Consent Order; and
2. WHEREAS, Respondent agrees to undertake a complete review of its practices and procedures, with respect to those areas of concern, as described in the Market Conduct Report and this Stipulation, so that those areas of concern are compliant with Connecticut Statutes; and
3. WHEREAS, Respondent agrees to provide the Insurance Commissioner with a full report of findings and a summary of actions taken to comply with the requirements of paragraph two of this Section within ninety (90) days of the date of this document; and
4. WHEREAS, Respondent agrees to pay a fine in the amount of \$107,500 for the violations described herein; and
5. WHEREAS, Respondent, being desirous of terminating administrative action without the necessity of a formal hearing or further litigation, does consent to the making of this Consent Order and voluntarily waives:
 - a. any right to notice and a hearing; and
 - b. any requirements that the Insurance Commissioner's decision contain a statement of findings of fact and conclusions of law; and

- c. any and all rights to object to or challenge before the Insurance Commissioner or in any judicial proceeding any aspect, provision or requirement of this Stipulation

NOW THEREFORE, upon the consent of the parties, it is hereby ordered and adjudged:

1. That the Insurance Commissioner has jurisdiction of the subject matter of this administrative proceeding.
2. That Respondent is fined the sum of One Hundred Seven Thousand Five Hundred Dollars (\$107,500) for the violations herein above described.

Foremost Insurance Company Grand Rapids Michigan

By: Richard McPartey
(Representative of Insurance Company)

SEE ATTACHED
NOTARIAL CERTIFICATE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of CALIFORNIA

County of ORANGE

On Dec. 14 2014 before me, KATELYN HANNAH ALLEN, Notary Public,

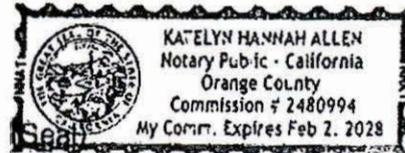
personally appeared Victoria McCarthy

Who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s), or the entity upon which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Katelyn Allen
Katelyn Hannah Allen, Notary Public - Comm. # 2480994 exp. 02/02/2028



Optional Information

Description of Attached Document

Title or type of Document: Stipulation & consent order

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

Corporate Officer

Partner

Individual

Trustee

Other

Signer Is Representing: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

Corporate Officer

Partner

Individual

Trustee

Other

Signer is Representing: _____

CERTIFICATION

The undersigned deposes and says that she/he has duly executed this Stipulation and Consent Order on this _____ day of _____ 2024, for and on behalf of Foremost Insurance Company Grand Rapids Michigan; that she/he is the _____ of such company, and she/he has authority to execute and file such instrument.

By: _____

STATE OF

SS

COUNTY OF

On the _____ day of _____ 2024, before me personally appeared _____, scaler of the foregoing Stipulation and Consent Order, acknowledged same to be her/his act and deed.

Notary Public/Commissioner of The Superior Court

Section Below To Be Completed by State of Connecticut Insurance Department

Dated at Hartford, Connecticut this 7th day of January 2025.



Andrew N. Mais
Insurance Commissioner