

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS



MARKET CONDUCT EXAMINATION

NUMBER 2011C-0028

May 31, 2012

COMPREHENSIVE MARKET CONDUCT EXAMINATION REPORT

OF

MICHIGAN MILLERS MUTUAL INSURANCE COMPANY

LANSING, MICHIGAN

NAIC COMPANY CODE 14508

For the Period January 1, 2007 through December 31, 2010

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I. EXECUTIVE SUMMARY

Michigan Millers Mutual Insurance Company (the Company) is an authorized Michigan domiciled company. This examination was conducted in conformance with the National Association of Insurance Commissioners (NAIC) *Market Regulation Handbook* (2011) (*Handbook*) and the Michigan Insurance Code. This was a comprehensive examination which reviewed all aspects of the Company's operations. The examination covers the period January 1, 2007 to December 21, 2010.

This summary of the comprehensive market conduct examination of the Company is intended to provide a high-level overview of the examination results. The body of the report provides details of the scope of the examination, findings, Company responses, and Michigan Office of Financial and Insurance Regulation (OFIR) recommendations.

OFIR considers a substantive issue one in which a "finding" or violation of Michigan Insurance Code was found to have occurred, or one in which corrective action on the part of the Company is deemed advisable.

The Company's A.M. Best Rating was B++ (Good) for financial strengths as of February 22, 2012; with a negative outlook.

Finding: The Company was unable to provide written copies for all of their third-party vendors. The response from the Company coordinator for this examination was as follows: "In regards to those vendors for which we were unable to produce a written contract this was mainly due to the fact that these vendors provided their services based on oral agreements. In many cases, services/cost is discussed/negotiated over the phone and if acceptable to both parties, is agreed to and put into effect in accordance with the agreed upon terms."

Recommendation: It is suggested that the Company obtain written contracts for all third party vendor services.

Company Response: "Michigan Millers will attempt to obtain written contracts for all third party vendor services' [sic] where the size and scope of services being provided would require a formal document. However, there are numerous vendors that do not require a written contract, nor do we feel one is required. Many are performance based; rely on customer satisfaction, and business partnerships to retain our business. Would be similar to that of 'at will employment' as compared to contract employment. Others are one offs. In those instances a written contract will not be required."

Finding: The Company has a policy not to date stamp claims mail in the mailroom. The claims mail is opened and then delivered to the claims area.

Recommendation: The Company should ensure each piece of claims mail is properly date-stamped with the date received in the mailroom along with all other mail.

Company Response: “In accordance with the OFIR recommendation all claims mail is now being date stamped.”

II. PURPOSE, SCOPE AND METHODOLOGY

This report is based on a comprehensive market conduct examination of Michigan Millers Mutual Insurance Company (the Company). The examination was conducted at the Company’s home offices located at 2425 East Grand River Avenue, Lansing, Michigan 48912. OFIR conducted this examination in accordance with statutory authority of the Michigan Insurance Code, MCL 500.222 et seq. All Michigan laws, regulations and bulletins cited in this report may be viewed on OFIR’s website at www.michigan.gov/ofir.

This examination was conducted under the supervision of Regan Johnson, Director of the Market Conduct Section, and Sherry J Bass-Pohl, Manager of the Market Conduct Unit. The on-site examination team consisted of Lynell A. Cauther, Examiner in Charge and Zachary Dillinger, Market Conduct Examiner. The on-site team was assisted by Sherry Barrett, Market Conduct Examiner.

This examination includes reviews of, but not limited to, the areas of operations and management; marketing and sales practices; underwriting and rating practices; claims handling; complaint handling practices; producer licensing practices; and unclaimed property practices. The examination covers the period of January 1, 2007 through December 31, 2010. OFIR calls this examination in accordance with MCL 500.222 (and other statutes as applicable) and the guidelines of the NAIC.

The examination was called due to changes in the complaint index and the absence of a prior market conduct examination.

The examination team sampled company records in the areas of (1) Complaint Handling; (2) Cancellations and Non Renewals; (3) Claims and (4) Underwriting and Rating. The analysis and examination of these areas were conducted and measured according to the standards and practices in the NAIC *Handbook* and the applicable statutes in the Michigan Insurance Code. The examiners used the NAIC suggested error tolerance rate of ten percent for underwriting and rating practices and seven percent for claims handling practices. An error rate in excess of the tolerance level in these sections of the report is indicative of a general business practice of engaging in that type of conduct.

The examination was conducted based on the following standards:

1. Standards of review from the NAIC *Handbook*
2. Michigan Insurance Code, MCL 500.1200, et seq; and
3. Internal guidelines and procedures provided by the company.

Three types of review were utilized for the above standards. Certain standards were examined with a single review, and others were examined using one or more type of review. The NAIC

Handbook calls for a random sample of 100 files when the examination population is greater than 5000. This statistical sample applies to the Company as follows:

1. Generic Review: A standard test was applied using analysis of general information provided as a response to examiner questions.
2. Sample Review: Sample test review was applied by means of direct review of random sample files. This methodology is described in the NAIC *Handbook*. Statistical sampling is based on a 10% error tolerance and a 95% confidence level.
3. Electronic review: This standard was employed using a computer program applied to a sample of company records.

The examiners reviewed samples based on the sampling method in Chapter 14, of the NAIC *Handbook*.

This examination report is a report by test. The report contains a summary of pertinent information about the lines of business examined. This includes each standard, Michigan Insurance Code citation, and NAIC *Market Regulation Handbook* source; any examination findings detailing the non-compliant or problematic activities that were discovered during the course of the exam; the Company response proposing methods for correcting the deficiencies; and recommendation for any further action by OFIR.

III. EXAMINATION FINDINGS AND RECOMMENDATIONS

A. OPERATIONS AND MANAGEMENT

MCL 500.4731(3) states the commissioner or designated examiners may address inquiries to any insurer concerning the insurer's activities or conditions or any matter connected with the insurer's transactions. MCL 500.4731(8) requires all original books, records, documents, accounts, and vouchers shall be preserved and kept available in this state for the purpose of examination.

This section of the report is designed to provide an overview of the operations and management of the Company. The period covered by this section is January 1, 2007 through December 31, 2010.

Standard A. Company Profile

The Company began operations October 24, 1881, domiciled in the State of Michigan. The statutory home office and primary location is 2425 East Grand River Avenue, Lansing, MI 48912.

The Company is currently licensed to market and write new insurance business in 29 states. The Company specializes in providing various property and casualty insurance products principally through independent agents. The Company principally writes commercial multiple peril (CMP), homeowners, workers' compensation and auto liability.

The Company has named Michael J. Nichols, CPCU, ALCM, Manager, Product Services/Premium Audit/Loss Control, as coordinator for this examination.

Standard B. Certificates of Authority

The examiners requested a copy of the current Company certificate of authority and NAIC annual statements to verify that the Company is licensed for the lines of business being written in Michigan. Annual statements and OFIR certification of authority for all lines of business written dated January 1, 2011 are on file.

Finding: Upon examination, no issues or concerns were discovered.

Standard C. Rating Bureau Information

The examiners examined the current ratings by A.M. Best. A.M. Best rated the Company as B++ (Good) for financial strength as of February 22, 2012. The outlook is negative.

Standard D. Internal Audit Reports

The examiners requested the Company's audit plan and a description of all internal audit reports. This included a listing of all changes based on the findings of the reports.

Finding: Upon examination, no issues or concerns were discovered.

Standard E. Anti-Fraud Plan

The examiners requested the Company's anti-fraud plan and accompanying procedures manuals including a list of all employees in any special investigations unit. All fraud reports produced within the last three calendar years and the current year-to-date, including a listing of all suspected fraudulent applications and claims during the examination period were also requested. The Company does not have a formal written anti-fraud plan. All losses are reviewed by management. All losses are logged into the Insurance Services Office Claims Director program which detects potential fraudulent components. Currently, Tim Fitzgerald coordinates the Company's anti-fraud activities.

Finding: Upon examination, no issues or concerns were discovered.

Standard F. Third Party Vendors

Examiners requested a listing and brief description of all third party vendors that were used in the collection of information in the underwriting or rating development process. For each third-party vendor relationship, examiners requested the vendor name, service provided, annual cost, date the relationship began and the date it terminated, if applicable. For this listing, the "third-party vendor" was defined to mean any person or entity that is not an employee, division, department or other internal unit of the insurance company, which provides advice, data or analysis to aid in the Company's decisions regarding underwriting and rate development.

Examiners requested copies of all written contracts with each third-party vendor. If there was no written contract, examiners asked the Company to describe in detail the terms of the arrangement with the third-party vendor and provide copies of any documents or memoranda setting forth or describing the arrangement. The detail was to include the basis for the fee to be paid and any incentives to be paid for reaching specified results.

Examiners requested all instructional materials used by the Company to obtain and interpret the information from third-party vendors; copies of all third party vendors' sales and promotional materials; and copies of all correspondence.

Examiners requested a listing of all officers, directors or employees that are employed by both the Company and any third party vendors with whom the company had contracts during the examination period.

The Company was unable to produce a written contract with its vendors. The Company provided a written explanation was given that these vendors provided their services based on oral agreements. The services and cost are discussed over the telephone and if acceptable to both parties, is agreed to and put into effect in accordance with the agreed upon terms.

Finding: Vendor contracts were not in writing.

Recommendation: It is suggested that the Company obtain written contracts for all third party vendor services.

Company Response: "Michigan Millers will attempt to obtain contracts for all third party vendors' services where the size and scope of services being provided would require a formal document. However, there are numerous vendors that do not require a written contract, nor do we feel one is required. Many are performance based; rely on customer satisfaction, and business partnerships to retain our business. Would be similar to that of "at will employment" as compared to contract employment. Others are one offs. In those instances a written contract will not be required."

Standard G. Computer Systems

The examiners requested a spreadsheet listing of all computer applications used to store applicant, policy, claim and other data. The listing was to indicate the type of business processed (or function) of each computer application, the year of implementation, the file medium, the current volume, and the processing frequency.

The examiners requested a description of all controls and safeguards to protect the integrity of the Company's computer systems. This included electronic records control and accompanying procedural manuals; explanations of authority to make changes; and what verification is performed. .

Examiners requested a description of computer backup and recovery procedures, including locations of off-site backup locations.

Examiners requested the Company's disaster recovery plan (business continuation plan).

Finding: Upon examination, no issues or concerns were discovered.

Standard H. Privileged and Confidential Information

The examiners requested the Company's policies and procedures for the management of personal and privileged information. This should include procedures for maintaining information as well as procedures for correcting, amending and deleting information in the computer system. These were reviewed to ensure that the Company had developed and implemented written policies, standards and procedures for the management of confidential and personal insurance information.

Finding: Upon examination, no issues or concerns were discovered.

Standard I. Board of Director's Meeting Minutes

The examiners requested the minutes from the Company's Board of Director's meetings during the examination period to ensure that there was proper oversight of the Company's operations and activities.

Finding: Upon examination, no issues or concerns were discovered.

Standard J. Reinsurance Program

The examiners requested a brief description of the Company's reinsurance program, including lines of business, pool arrangements and types of coverage.

Finding: Upon examination, no issues or concerns were discovered.

Standard K. Mail Room Operations

The Examiner-in-Charge conducted an interview of the Company's mailroom personnel and performed a walk-through of the mailroom to review the Company's operation. This was done to note the Company's policies and procedures for handling incoming and outgoing mail.

The Company stated that all mail received at the Company's post office box or at the street address is processed through the central mail facility.

The Examiner inquired about the date-stamping of new applications, claims documents and complaints to ensure the items were properly date-stamped. The mailroom supervisor confirmed that all mail was date stamped except claims, which are opened in the mailroom then delivered to the claims area. The potential exists for a delay between receipt of claims in the mailroom and date-stamping in the claims area.

Finding: Claims are not date stamped upon receipt in the mailroom.

Recommendation: The Company should ensure each piece of claims mail is properly date-stamped with the date received in the mailroom along with all other mail.

Company Response: “In accordance with the OFIR recommendation all claims mail is now being date stamped.”

Standard L. Record Retention Procedures

The examiners requested all file record retention policies and procedures used by the Company in Michigan. These included a written description of the media used, types of records placed on various media, and purge schedules. The examiners reviewed the information to ensure the Company had developed and implemented written policies, standards and procedures for the maintenance of records as required by Michigan statutes and regulations.

Finding: Upon examination, no issues or concerns were discovered.

Standard M. Examination Coordination

Michigan law requires the Company to cooperate with the examiners during the examination. MCL 500.100 et seq. The Company provided all facilities and equipment requested. Company staff cooperation was outstanding.

Finding: The Company and all staff should be commended for their level of commitment to meeting all examiner requests.

B. MARKETING AND SALES PRACTICES

MCL 500.4105 states that sales and advertising material cannot be false, misleading, deceptive, or inaccurate.

Standard A. Marketing and Sales Materials

The examiners conducted a review of the Company’s marketing and sales practices. The examiners requested the Company’s advertising and sales materials used in Michigan during the examination period. This included all brochures, newsletters; bulletins; newspaper ads; agency manuals; radio and television scripts; presentations to field personnel and telemarketing scripts.

A census of 78 Company marketing and sales pieces was performed.

Finding: Upon examination, no issues or concerns were discovered.

Standard B. Producer-Generated Sales Materials

The examiners requested the Company procedures for approval of producer generated advertising.

Finding: Upon examination, no issues or concerns were discovered.

Standard C. Producer Training Materials

The examiners requested all producer generated advertising that identifies the producer as being a representative of the Company. This included producer-generated advertising used in newspapers, radios, and television were requested. Also, all producer-training materials used in Michigan during the examination period. This included all information available to producers - bulletins, newsletters, memos, magazines and broadcast e-mails that were sent to producers during the examination period regarding advertising, marketing or sales.

Finding: Upon examination, no issues or concerns were discovered.

Standard D. Internet Web Pages

The examiners requested all company Internet web addresses, including all known Internet addresses of Michigan producers. The examiners reviewed the Company website and random sample of 54 producer websites.

Finding: Upon examination, no issues or concerns were discovered.

C. UNDERWRITING AND RATING PRACTICES

MCL 500.2108 requires the filing of manuals and plans with the commissioner, including modifications, rules and rates.

Examiners reviewed how the Company underwrites and rates new and renewal policies to verify the company underwrites and rates according to their own underwriting guidelines, filed rates and applicable Michigan statutes and regulations. The examiners also requested the Company's procedures, rules, rates and forms filed by or on behalf of the Company to determine compliance with Michigan statutes and regulations.

The examiners used the methodology as described in the NAIC *Handbook* to randomly select policies from a data download of new and renewal policies provided by the Company. In some instances, when the total number of policies was relatively small, the entire population was reviewed. The error criterion used to develop confidence levels for the underwriting and rating practices review is ten percent as established by the NAIC.

Standard A. Personal Automobile

The examiners requested the population of new and renewal policies written in the State of Michigan for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Personal Auto-2007	65535	10	166	02/21/2012	0
Personal Auto-2008	65535	10	166	02/21/2012	0
Personal Auto-2009	65535	10	166	02/21/2012	0
Personal Auto-2010	64849	10	166	02/21/2012	0

Finding: Upon review, no issues or concerns were discovered.

D. CANCELLATION, NON-RENEWAL AND DECLINATION PRACTICES

MCL 500.3224 outlines reasons acceptable for cancellation, non-renewal and declination of policies.

The examiners requested the population of new and renewal policies written in the state of Michigan for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Cancels / Non Renewals	65535	10	167	02/22/2012	0

Finding: Upon review, no issues or concerns were discovered.

E. CLAIMS HANDLING

MCL 500.535(2)(b)(iii) requires an insurer to provide a confirmation, explanation, statement, or other record of the transaction, or information on the status or value of the insurance product or service to the consumer, the consumer's agent or broker, or a policyholder or the policyholder's agent or broker with respect to a claim asserted by, or paid to, a consumer under a policy.

MCL 500.2026 addresses course of conduct for claims handling.

Examiners reviewed claims handling practices of the Company to determine efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with applicable Michigan statutes and OFIR.

A claim is a demand for payment by a policyholder or third-party claimant under coverage against the policyholder, which is either paid by the Company in full or partial recompense or

closed without payment by reason of no relevant coverage, no liability, or recompense by other legal means.

This review consisted of Michigan claims selected by a random sampling from data downloads as furnished by the Company for claims which occurred during the examination period. The error criterion used to develop confidence levels for the claims practices review is seven percent as established by the NAIC.

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

The examiners reviewed the Company's claim file activity notes guidelines, Litigation Management guidelines, Property Standards and Personal Injury Protection and Workers' Compensation Practices used during the period under review.

The examiners requested a written description of significant claims handling changes that occurred during the examination period or scheduled to take place within the next two years. Additionally, they requested, all bulletins, newsletters, memos, and broadcast emails that were issued to Company employees, adjusters, or producers during the examination period regarding claims practices and the handling of claims for any of the lines of business under review.

1. Claims Paid

Standard A. Private Passenger Automobile – Comprehensive /Collision

The examiners requested the population of Michigan claims paid and closed.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed with Payment - Personal Auto Comprehensive and Collision	24156	5	148	02/28/2012	0

Finding: Upon review, no issues or concerns were discovered.

Standard B. Private Passenger Automobile – Medical Payments/Uninsured Motorists

The examiners requested the population of Michigan claims paid and closed.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed with Payment - Personal Auto Medical and Uninsured	36	0	36	03/01/2012	0

Finding: Upon review, no issues or concerns were discovered.

Standard C. Homeowners

The examiners requested the population of Michigan claims paid and closed.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed with Payment - Homeowners	10018	2	88	03/02/2012	0

Finding: Upon review, no issues or concerns were discovered.

Standard D. Business Owner Policies

The examiners requested the population of new and renewal policies written in the state of Michigan for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed with Payment - BOP	1038	2	86	03/05/2012	0

Finding: Upon review, no issues or concerns were discovered.

Standard E. Commercial Property Policies

The examiners requested the population of new and renewal policies written in the state of Michigan for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed with Payment - CPP	3743	2	87	03/05/2012	0

Finding: Upon review, no issues or concerns were discovered.

Standard F. Workers' Compensation

The examiners requested the population of new and renewal policies written in the state of Michigan for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed with Payment - Workers Comp	3516	2	87	03/06/2012	0

Finding: Upon review, no issues or concerns were discovered.

2. Claims Closed Without Payment

Standard A. Private Passenger Automobile – Comprehensive /Collision

The examiners requested the population of Michigan claims paid and closed.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed without Payment - Personal Auto Comprehensive and Collision	1921	2	87	03/06/2012	0

Finding: Upon review, no issues or concerns were discovered.

Standard B. Private Passenger Automobile – Medical Payments/Uninsured Motorists

The examiners requested the population of Michigan claims paid and closed.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed without Payment - Personal AutoMedical and Uninsured	39	0	39	03/07/2012	0

Finding: Upon review, no issues or concerns were discovered.

Standard C. Homeowners

The examiners requested the population of Michigan claims paid and closed.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed without Payment - Homeowners	3468	2	88	03/07/2012	0

Finding: Upon review, no issues or concerns were discovered.

Standard D. Business Owner Policies

The examiners requested the population of new and renewal policies written in the state of Michigan for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed without Payment - BOP	350	2	82	03/07/2012	0

Finding: Upon review, no issues or concerns were discovered.

Standard E. Commercial Property Policies

The examiners requested the population of new and renewal policies written in the state of Michigan for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed w/o Payment - CPP	835	2	86	03/08/2012	0

Finding: Upon review, no issues or concerns were discovered.

Standard F. Workers' Compensation

The examiners requested the population of new and renewal policies written in the state of Michigan for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed w/o Payment - Workers Comp	142	2	77	03/09/2012	0

Finding: Upon review, no issues or concerns were discovered.

F. COMPLAINT HANDLING PRACTICES

MCL 500.2213 requires an insurer to establish an internal formal grievance procedure for approval by the commissioner for persons covered under a policy, certificate, or contract. The insurer is also required to include a procedure for insured's right to appeal when an adverse determination is made.

The examiners requested the Company's complaint handling procedures and files to ensure the time-frame within which the Company responds to complaints is in accordance with applicable statutes, rules and regulations; the Company is maintaining adequate documentation; and the Company is taking adequate steps to finalize and dispose of complaints in accordance with applicable Michigan statutes, regulations and policy language.

The examiners requested a brief description of how written and verbal complaints are recorded, an explanation of each complaint report or summary prepared for management review during the three-year period of the data download and a listing and brief description of all codes used in the data downloads or computer system of each line of business under review. The examiners then requested each file for review.

The examiners ensured the Company's complaint register indicated the total number of complaints, a classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time taken to process the complaint.

Additionally, the examiners ensured the dates in the complaint registry are accurate according to the files and the period within which the Company responds to complaints is in accordance with applicable Michigan statutes and Michigan OFIR regulations.

The examiners also ensured pertinent communications regarding claims that suggested a response was answered in ten working days as required by company complaint handling guidelines.

Complaint logs for timely disposition results are as follows:

2007	Total Complaints: 10	Longest: 20 days	Shortest: 3 days	Average: 14 days
2008	Total Complaints: 17	Longest: 27 days	Shortest: 1 day	Average: 12.5 days
2009	Total Complaints: 20	Longest: 28 days	Shortest: 1 day	Average: 11.96 days
2010	Total Complaints: 13	Longest: 30 days	Shortest: 4 days	Average: 15.6 days

The examiners reviewed the frequency of similar complaints (such as producers, ZIP codes, nature, etc.) for any pattern or specific areas of concern. Examiners discovered no such trends.

For complaint #11 it was found that the company did not completely address the issue; it was noted that the factual dispute remains on-going.

For complaint #12 it was found that there was no closing letter sent from the Company.

In addition to looking for practices and procedures that violate Michigan law, examiners also looked for practices and procedures that appear to not be in the best interest of Michigan consumers.

Finding: In reviewing all complaint files for the period under review, examiners found no instances in which the company acted against the Code or internal policies. In many cases the Company paid claims that exceeded their legal obligation to do so in the interests of maintaining positive customer relations.

G. PRODUCER LICENSING PRACTICES

The Company is required to notify the OFIR of a producer appointment within fifteen days of the appointment date, per MCL 500.1208a. MCL 500.1208b requires the Company to notify the OFIR within thirty working days when the producers have been terminated.

Michigan statutes and regulations require the Company to sell their products and services through producers that are properly licensed by the OFIR and appointed by the Company. During the Underwriting and Rating Practices reviews, examiners documented the producers writing new business and those listed on renewal business declaration pages. Examiners then used OFIR records to verify the producers were licensed to sell insurance in Michigan and appointed by the Company.

Further, examiners verified the Company's entire listing of producers authorized to write business in Michigan during the examination period were properly licensed and appointed.

Finding: Upon review, no issues or concerns were discovered.

H. UNCLAIMED PROPERTY PRACTICES

MCL 500.8145 requires the insurer to deposit all unclaimed funds subject to distribution to the state treasurer. An amount on deposit not claimed within 6 years shall escheat to the state.

The examiners requested a download of all unclaimed property payments made to the state of Michigan for unclaimed property during the examination period and the prior three calendar years.

The Company provided unclaimed property reports and unpaid Michigan payee reports from 2004 through 2010, escheat procedures and escheat procedures for medical account checks.

The examiners reviewed the Company's procedures for recording and escheating funds to the state.

Finding: Upon review, no issues or concerns were discovered.

IV. ACKNOWLEDGEMENT

This examination report of Michigan Millers Mutual Insurance Company is respectfully submitted to the Commissioner of the Office of Financial and Insurance Regulation, State of Michigan.

The courteous cooperation and assistance of the officers and employees of the Company extended to the examiners during the course of the examination is hereby acknowledged.

In addition to the undersigned, Zachary Dillinger, Market Conduct Examiner and Sherry Barrett, Market Conduct Examiner, participated on the examination.

Lynell A. Cauther, MCM
Examiner-in-Charge
Office of Financial and Insurance Regulation
Market Conduct Section
May 31, 2012