

DELAWARE DEPARTMENT OF INSURANCE  
MARKET CONDUCT RE-EXAMINATION REPORT  
TEACHERS INSURANCE COMPANY

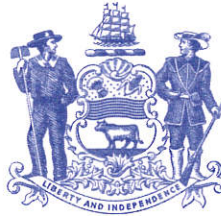
NAIC # 22683

1 Horace Mann Plaza  
Springfield, Illinois, 62715

As of

May 31, 2016

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

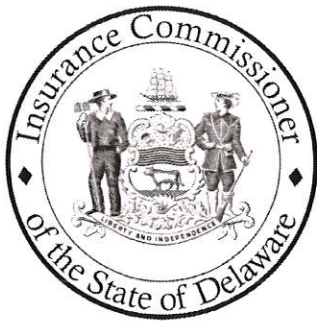
I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of March 31, 2016 on

**Teachers Insurance Company**

is a true and correct copy of the document filed with this Department.

Attest By:

A handwritten signature in blue ink, appearing to be "Janet F.", written over a horizontal line.

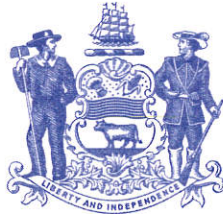


In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover.

A handwritten signature in blue ink, "Trinidad Navarro", written over a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION  
OF THE  
**Teachers Insurance Company**  
AS OF

March 31, 2016

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.

Handwritten signature of Trinidad Navarro in blue ink.

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Trinidad Navarro  
Insurance Commissioner

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Honorable Karen Weldin Stewart CIR-ML  
Insurance Commissioner  
State of Delaware  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioner Stewart:

In compliance with the instructions contained in Certificate of Examination Authority Number 22683-16-702, and pursuant to statutory provisions including 18 Del. CODE §318-322, a market conduct examination has been conducted of the affairs and practices of:

**Teachers Insurance Company**

The examination was performed as of May 31, 2016. Teachers Insurance Company, hereinafter referred to as the "Company" or as "Teachers," was incorporated under the laws of Illinois. The examination consisted of one phase, an off-site phase.

The off-site examination phase was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations, as a desk audit.

The report of examination herein is respectfully submitted.

## **EXECUTIVE SUMMARY**

Teachers Insurance Company is domiciled in Illinois and is licensed to write automobile insurance in 48 states and the District of Columbia. The Company's main administrative offices are located in Springfield, Illinois.

On their 2015 annual statement filed with the Department, the Teachers Insurance Company reported total individual private passenger automobile premiums written for all states of \$170,004,628 of which \$2,789,966 was written in Delaware.

The examination focused on the Company's private passenger automobile business in the area of claims.

There were no exceptions noted in the areas of operation reviewed.

## **SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. CODE §318-322 and covered the experience period of January 1, 2015 through May 31, 2016. The examination was a target market conduct examination of the Company's private passenger automobile business, specifically operations surrounding their Claims procedures.

## **METHODOLOGY**

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on errors found in individual files, the examiners also focus on general business practices of the Company.

The Company identified a universe of 49 files. All 49 files were selected and reviewed during this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, additional information was requested for clarification. An exit conference was not conducted with Company officials because there were no exceptions found.

## **COMPANY HISTORY**

Teachers Insurance Company, a property and casualty domestic stock company is domesticated, organized, and authorized under the laws of the state of Illinois. Teachers has been a wholly owned subsidiary of the Horace Mann Educators Corporation (HMEC) since 1976. HMEC, originally named Illinois Education Association (IEA) was founded in Springfield, IL in 1945 by two Illinois teachers who saw a need for providing automobile insurance for their association members. Although dormant until 1976, the Company was utilized to assist in domesticating HMEC from California to Delaware. Eventually, Teachers was re-domesticated to Illinois effective December 23, 1988. Teachers is licensed in 48 states and the District of Columbia, and recorded \$2,789,966 in private passenger automobile direct premiums written for Delaware as of December 31, 2015.

The Company markets and underwrites personal lines products (predominantly private passenger auto and homeowners) in the United States. Products are marketed to K-12 teachers, administrators, and other employees of public schools and their families. All marketing is generated through an exclusive sales force captive agents, many of whom were previously teachers. The personal automobile business is primarily preferred risk, with drivers having no recent accidents and limited moving violations. The home office is located in Springfield, IL and claim offices are located in Dallas, TX and Raleigh, NC.

## **CLAIMS**

### **Surcharges**

The Company provided copies of surcharge plans filed with the Delaware Department of Insurance that were in use during the examination period. The Company also identified a universe of 49 policies where surcharges were added after an at-fault claim. All 49 policy documents, including copies of surcharge algorithms and copies of the automatic premium renewal notices, were reviewed. The documents were reviewed for compliance with 18 Del. Admin 609 Limitations on Automobile Surcharges in Voluntary Markets and the Assigned Risk Plan - § 5.1.7. There were no exceptions noted.

## CONCLUSION

There were no recommendations made because there were no exceptions noted.

The cooperation and courtesy extended by the Teachers Insurance Company staff is acknowledged. The examination conducted by Shelly Schuman and Frank Kyazze is respectfully submitted.



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Frank Kyazze, CIE, MCM, FLMI, ALHC  
Examiner-in-Charge  
Market Conduct  
Delaware Department of Insurance