

DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

PEAK PROPERTY and CASUALTY INSURANCE CORPORATION

NAIC # 18139

1800 North Point Drive

Stevens Point, WI 54481

As of

June 30, 2013

Karen Weldin Stewart, CIR-ML
Commissioner



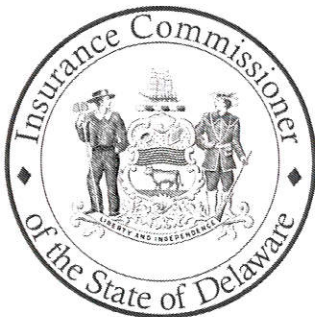
Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of June 30, 2013 on

PEAK PROPERTY and CASUALTY INSURANCE CORPORATION

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

Attest By: Linda Nemes



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

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



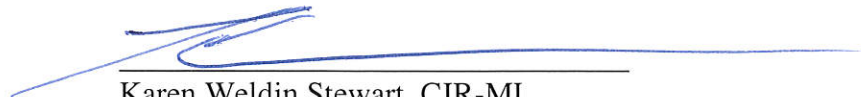
Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
PEAK PROPERTY and CASUALTY INSURANCE CORPORATION
AS OF
June 30, 2013

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.



Karen Weldin Stewart, CIR-ML
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 13.755, and pursuant to statutory provisions including 18 Del. CODE §318-322, a market conduct examination has been conducted of the affairs and practices of:

Peak Property and Casualty Insurance Corporation

The examination was performed as of June 30, 2013. Peak Property and Casualty Insurance Corporation, hereinafter referred to as the "Company" or as "Peak," re-domesticated from the state of Colorado to the state of Wisconsin on December 15, 2006. The examination consisted of two phases, an on-site phase and an off-site phase. The on-site phase of the examination was conducted at the following Company location:

1800 Deming Way – Suite 400
Middleton, Wisconsin 53562

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.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

Peak Property and Casualty Insurance Corporation is domiciled in Wisconsin and is licensed to write non-standard private passenger automobile insurance in 39 states. The Company's home office is located at 1800 North Point Drive, Stevens Point, Wisconsin 54481.

In the 2012 Annual Statement filed with the Department, Peak reported total individual private passenger automobile premiums written in the amount of \$224,545,497 of which \$3,944,524 was written in Delaware.

The examination focused on the Company's private passenger automobile business in the following areas of operation: Company Operations and Management, Complaint Handling, and Claims. This examination was part of a series of examinations to review the use of independent medical examiners, peer review organizations, arbitration, and surcharges after an at-fault accident.

The following exceptions were noted in the areas of operation reviewed:

- Claims (IME): 4 Exceptions – 18 Del. CODE §3204(16)(b) Unfair claim settlement practices.

Failure to communicate with the claimant regarding the results of the Independent Medical Examination (IME).

- Claims (Surcharges): 50 Exceptions – 18 Del. Admin. Code 609 §5.1.7 Limitations on Automobile Surcharges in Voluntary Markets and Assigned Risk Plan.

Failure to notify the insured of the amount of the surcharge.

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, 2011 through June 30, 2013. This examination was part of a series of examinations conducted to review the use of independent medical examiners, peer review organizations, arbitration and surcharges after an at-fault accident.

The examination was a target market conduct examination of the Company's private passenger automobile business in the following areas of operation: Company Operations and Management; Complaint Handling, and Claims.

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 the universe of files for each segment of the review. Based on the universe sizes, random sampling was utilized to select the files 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. In general, 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, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and to review written summaries provided in regard to the exceptions found.

COMPANY HISTORY

The Company was incorporated in North Carolina on August 16, 1985, as General Electric Residential Mortgage Corporation and commenced business on August 29, 1985. The Company's name was changed to Peak Property and Casualty Insurance Corporation (Peak) on July 10, 1991.

On November 16, 1993, the Company was acquired from GE Capital Mortgage Corporation, by Guaranty National Insurance Company (GNIC) and was re-domiciled in the state of Colorado. On November 16, 1999, Royal & Sun Alliance Insurance Group (R&SA) purchased Orion Auto, Inc., and all of its subsidiaries including GNIC and its subsidiaries.

In March 2005, R&SA transferred the direct ownership of Peak Property and Casualty Corporation from GNIC to Viking Insurance Company of Wisconsin. On November 1, 2005, Sentry Insurance (Sentry) a Mutual Company acquired 100% indirect ownership of Peak Property and Casualty Insurance Corporation in connection with an acquisition of

Viking Insurance Company of Wisconsin from Royal & Sun Alliance USA, Inc. On December 15, 2006, Peak re-domesticated from the state of Colorado to the state of Wisconsin.

Under an administrative services agreement, Sentry furnishes the Company underwriting, policy issuance, financial reporting, tax compliance, customer service, agent support, marketing, legal, claims, actuarial and other services.

COMPANY OPERATIONS AND MANAGEMENT

The Company provided information and documentation related to internal audits and internal market regulation/conduct audit reviews. Included with the documents were regulatory actions and court actions taken against the Company, and Market Conduct Examination Reports. The requested information and supporting documentation was reviewed during the course of the examination.

There were no exceptions found.

CONSUMER COMPLAINTS

The Company identified fourteen consumer complaints received during the experience period. All fourteen complaints were sampled and reviewed. The Company also provided a complaint log.

The complaint log was reviewed for compliance with 18 Del. C. §2304 (17) which requires maintenance of a complete record of all complaints received since the date of its last examination. Written complaint files involving claims were also reviewed for compliance with 18 Del. Admin. Code 902 §1.2.1.2.

There were no exceptions found.

CLAIMS

Independent Medical Examinations

The Company provided all claims related procedures, reference materials, newsletters, bulletins, regularly sent to claim adjusters in use in Delaware during the examination period. Procedures were also provided in regard to the procurement of services in relation to Independent Medical Examinations (IME). In addition, the Company provided a listing of all private passenger auto claims with a bodily injury component. The listing identified claims with IME reviews. There were a total of 561 Bodily Injury Claims resulting in IMEs. Of the 561 IME claims, 110 IME files were reviewed for compliance with 18 Del. CODE §2304 Unfair Practices in the Insurance Business.

The following violations were noted.

4 Exceptions-18 Del. C. § 3204 Unfair methods of competition and unfair or deceptive acts or practices defined.

(16) Unfair claim settlement practices. — No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

b. Failing to acknowledge and act reasonably promptly upon communication with respect to claims arising under insurance policies;

Four IME files failed to demonstrate that the Company communicated to the claimant the results of the Independent Medical Examination (IME).

Recommendation: It is recommended that the Company promptly communicate to the claimant the results of the Independent Medical Examination with respect to claims arising under insurance policies.

Peer Review Organizations

Procedures were provided that relate to the procurement of services offered by Peer Review Organizations. The Company provided a listing of all private passenger auto claims during the examination period that had a claim component related to bodily injury (bodily injury, uninsured motorist, under insured motorist, personal injury protection, and medical payment). All three cases resulted in peer review. In each case, the PRO determined that treatment should be terminated; however, one peer review was arbitrated by the claimant.

There were no exceptions found.

Arbitration

The Company provided a listing of all private passenger auto claims reported during the examination period that had a claim component related to bodily injury (BI, UM, UIM, PIP, Med-Pay). The Company provided a listing of three private passenger auto claims that resulted in arbitration. The arbitration panel/judge ruled in favor of the claimant in two instances and in favor of the Company in one case. The one case ruled in favor of the Company was the same claim that had gone through a peer review as reported above.

There were no exceptions noted.

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 provided copies of surcharge algorithms and a list of policyholders who were assessed a surcharge after a claim was filed. All of this information was reviewed by the Examiners. The Company identified a universe of 219 claims in which the policyholders were surcharged after an at-fault accident. From the 219 claims, a sample of 50 policies was selected for review.

The following violations were noted:

50 Exceptions - 18 Del. Admin 609 Limitations on Automobile Surcharges in Voluntary Markets and the Assigned Risk Plan § 5.1.7.

No surcharge may be imposed unless the named insured is notified at least ten days in advance of the effective date of the surcharge, of the amount of the surcharge and the reasons for the imposition of the surcharge. No surcharge may be instituted against a policyholder except at the time of renewal or policy issuance unless a new insured under the policy is added during the policy term and the new insured is surchargeable under the insurers filed and approved surcharge plan. Notice of imposition of a surcharge may be included with the renewal offer. This subsection does not apply to new business.

In all 50 of the claims reviewed, the Company failed to notify the insured of the amount of the surcharge.

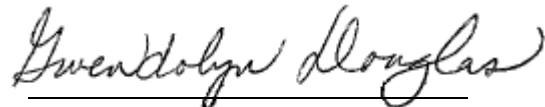
Recommendation: It is recommended that the Company inform the insured of the amount surcharged.

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company communicate promptly to the claimant with respect to claims arising under insurance policies, pursuant to 18 Del. CODE §3204(16)(b). (Claims – IME).
2. It is recommended that the Company inform the insured of any surcharged amount added to his/her premium, pursuant to 18 Del. Admin 609 §5.1.7. (Claims – Surcharges).

The examination, conducted by Shelly Schuman, Gwendolyn Douglas, Stephen Misenheimer, and Linda Armstrong, is respectfully submitted.



Gwendolyn J. Douglas, MCM, CIE,
CFE, CFE (Fraud)
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance