

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

In Re:

WESCO INSURANCE COMPANY
(NAIC #25011)

)
)
) **Market Conduct Examination**
) **No. 317133**

ORDER OF THE DIRECTOR

NOW, on this 15th day of November, 2021, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of Wesco Insurance Company (NAIC #25011) (hereinafter “Wesco”), examination report number #317133, prepared and submitted by the Division of Insurance Market Regulation (hereinafter “Division”) pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (“Stipulation”), relating to the market conduct examination #317133, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director’s findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4), §374.280 RSMo, and §374.046.15. RSMo, is in the public interest.

IT IS THEREFORE ORDERED that Wesco and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

¹ All references, unless otherwise noted, are to Revised Statutes of Missouri 2016, as amended, or to the Code of State Regulations, 2020, as amended.

IT IS FURTHER ORDERED that Wesco shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that Wesco shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$35,100.00 payable to the Missouri State School Fund in connection with the examination.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 15th day of November, 2021.



Chlora Lindley-Myers
Chlora Lindley-Myers
Director

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)
)
WESCO INSURANCE COMPANY) **Market Conduct Examination**
(NAIC #25011)) **No. 317133**

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and Wesco Insurance Company (NAIC #25011) (hereinafter “Wesco”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter “the Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

WHEREAS, Wesco has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct examination of Wesco, examination #317133; and

WHEREAS, based on the market conduct examination of Wesco, the Division alleges that:

1. In one instance, Wesco did not use the NCCI standard payroll for officers for one officer and did not use the correct officers’ payroll amount for other officers, in violation of §287.955.1¹.

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended or to the Code of State Regulations, 2020, as amended.

2. In three instances, Wesco used an incorrect payroll amount to calculate premium, in violation of §287.955.1.

3. In 17 instances, Wesco used an unfiled rate to calculate final premium, in violation of §287.955.1 and 20 CSR 500-6.980 (7).

4. In eight instances, Wesco charged a non-cooperative audit fee without attaching the proper endorsement, in violation of §287.955.1.

5. In one instance, Wesco increased the schedule rating debit for a policy without documenting the change in risk, in violation of §287.950.1 and 20 CSR 500-4.100 (7) (D).

6. In three instances, Wesco decreased the schedule rating credit for policies without documenting a change in the risk, in violation of §287.955.6 (4) (d), §287.955.6 (2) (d) and 20 CSR 500-4.100 (7) (D).

7. In two instances, Wesco implemented a schedule rating debit without documenting how the debit was calculated or the risk characteristics that justified the debit, in violation of §287.955.6 (2) (d) & (3) & (4) and 20 CSR 500-4.100 (7) (D).

8. In one instance, Wesco applied a larger schedule rating credit than the amount documented in the file, in violation of §287.947.

9. Wesco failed to maintain records in an archival manner, adding information to two records that were finalized for document retention purposes, in violation of §374.205.2 (2) and 20 CSR 100-8.040 (4) (B).

10. In three instances, Wesco applied an experience modification to a policy without documentation to support the modification, in violation of §374.205.2 (2) and 20 CSR 100-8.040 (3) (A).

11. In one instance, Wesco did not adhere to the uniform experience rating plan filed with the Department, in violation of §287.955.1.

12. In one instance, Wesco did not allocate 10% of the president's payroll to the correct classification code, in violation of §287.955.1.

13. In one instance, Wesco did not allocate a flat 10% of officers' payrolls in the correct classification code, in violation of §287.955.1.

14. In two instances, Wesco improperly attached a "Waiver of Our Rights to Recover" endorsement to policies with construction classification codes, in violation of §287.150.6.

15. Wesco attached unapproved forms to 100 policies, in violation of §287.310.1 and 20 CSR 500-6.100 (1).

16. In 10 instances, Wesco failed to complete and attach the required "Missouri Benefits Deductible" endorsement, in violation of §§287.955.4 & .5.

17. In 65 instances, Wesco attached unapproved forms to policies, in violation of §287.310.1 and 20 CSR 500-6.100 (1).

18. In 16 instances, Wesco did not display the premium discount amount filed with the Department on a necessary form, in violation of §287.310.1 and 20 CSR 500-6.100 (1).

19. In 75 instances, Wesco did not attach one or more Missouri required forms, in violation of §§287.955.4 & .5, §287.310.1 and 20 CSR 500-6.100 (1).

20. In one instance, Wesco charged the wrong rate by failing to attach a required endorsement to the policy, in violation of §287.947, §287.955.4 & .5 and 20 CSR 500-6.950 (7).

21. In three instances, Wesco arbitrarily applied schedule rating credits and debits and shifted risks among affiliated insurers to reach a desired premium, in violation of §287.955.6 (1), §287.947.1, §287.950.1, §379.889 and 20 CSR 500-4.100 (7) (C) & (D).

22. In 71 instances, Wesco materially aided producers, not listed on its Registry, to write business, in violation of §375.022.2 and 20 CSR 700-1.020.

23. In five instances, Wesco materially aided unlicensed producers to write business, in violation of §375.014, §375.022.2 and 20 CSR 700-1.020.

24. In 46 instances, Wesco failed to complete and bill audits or return premium within 120 days of policy expiration or cancellation, in violation of §287.955.1 & .3 and 20 CSR 500- 6.500 (2) (A).

25. In 18 instances, Wesco did not notify the insured of the specific amount of the Audit Non-Compliance charge applied for non-cooperation in the audit process, in violation of §287.955.5.

26. In 14 instances, Wesco was late in responding to examiner criticisms, in violation of §374.205.2 (2) and 20 CSR 100-8.040 (6).

27. In 17 instances, Wesco was late in responding to formal requests, in violation of §374.205.2 (2) and 20 CSR 100-8.040 (6).

WHEREAS, the Division and Wesco have agreed to resolve the issues raised in the market conduct examination as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter “Stipulation”) embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** During the course of the examination, Wesco represented that it had already corrected many of the issues raised in the market conduct examination. To the extent it

has not already done so, Wesco agrees to take further remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably ensure that the errors noted in the market conduct examination and in this Stipulation do not recur. Such remedial actions shall consist of the following:

1. Wesco agrees to use only filed rates in calculating workers compensation insurance with Missouri premium or exposure.

2. Wesco agrees to review all active guarantee cost workers compensation policies with Missouri premium or exposure from January 1, 2018 to the date of the Order approving this Stipulation to determine if Wesco charged for a Blanket Waiver when that rate was not filed with the Director. If Wesco overcharged any policyholders by using an unfiled Blanket Waiver, it agrees to issue a refund of the overcharge to the policyholder, and will include interest as determined under §374.191. A letter will be included with the payment indicating that “as a result of a Missouri market conduct examination, it was found that a premium refund was owed.”

3. Wesco agrees not to charge a non-cooperative audit fee on a workers compensation policy with Missouri premium or exposure, without attaching the proper endorsement.

4. Wesco agrees that it will not utilize a schedule rating credit or debit, or increase or decrease such credits or debits, on workers compensation policies with Missouri premium or exposure without documenting a change in the risk.

5. Wesco agrees that it will maintain records for Missouri risks, including schedule rating worksheets, in an archival manner and will not add information to a record that is finalized for file documentation or permanent retention purposes.

6. Wesco agrees not to attach a “Waiver of Our Rights to Recover” endorsement on workers compensation policies with Missouri premium or exposure that have construction code

classifications.

7. Wesco agrees not to utilize unfiled or unapproved forms on workers compensation policies with Missouri premium or exposure.

8. Wesco agrees that it will attach all Missouri required forms or endorsements to workers compensation policies with Missouri premium or exposure.

9. Wesco agrees that it will maintain policy file documentation as required by §374.205.2 and 20 CSR100-8.040 (3) (A).

10. Wesco agrees to review all small deductible workers compensation policies with Missouri premium or exposure from January 1, 2018 to the date of the Order approving this Stipulation to determine if Wesco used a small deductible credit that was different from what was filed with the Department. If Wesco overcharged any policyholders by using a small deductible credit that was different from what was filed with the Department, it agrees to issue a refund of the overcharge to the policyholder, and will include interest as determined under §374.191. A letter will be included with the payment indicating that “as a result of a Missouri market conduct examination, it was found that a premium refund was owed.”

11. Wesco agrees that it will apply schedule rating credits and debits according to its schedule rating plan and agrees not to arbitrarily apply schedule rating credits or debits or shift risks among affiliated insurers in order to reach a desired premium.

12. Wesco agrees not to permit producers to write Wesco workers compensation policies with Missouri premium or exposure unless the producer is licensed and listed on Wesco’s Producer Registry at the time of the sale.

13. Wesco agrees not to permit producers to write Wesco workers compensation policies with Missouri premium or exposure unless the producer is licensed at the time of the sale.

14. Wesco agrees that audits on workers compensation policies with Missouri premium or exposure will be completed, billed, and premiums returned within 120 days of policy expiration or cancellation unless a) a delay is caused by the policyholder's failure to respond to reasonable audit requests provided that the requests are timely and adequately documented or b) a delay is by the mutual agreement of the policyholder and Wesco provided that the agreement is adequately documented.

15. Wesco agrees to timely notify Missouri policyholders of the specific amount of the Audit Noncompliance Charge applied for non-cooperation in the audit process prior to applying such a charge.

16. Wesco agrees to issue refunds to all policyholders identified as being overcharged in the Examination Report, and will include interest as determined under §374.191. A letter will be included with the payment indicating that "as a result of a Missouri market conduct examination, it was found that a premium refund was owed."

17. Wesco agrees to timely respond to criticisms and to formal requests in future Missouri market conduct examinations.

C. **Compliance.** Wesco agrees to file documentation with the Division, in a format acceptable to the Division, within 180 days of the entry of a final order of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation or to document the payment of restitution required by this Stipulation. Such documentation is provided pursuant to §374.205.

D. **Ongoing Examination.** Wesco agrees to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by Wesco pursuant to Paragraph C of this Stipulation.

E. **Other Penalties.** The Division agrees that it will not seek penalties against Wesco other than those agreed to in this Stipulation, in connection with the above-referenced market conduct examination.

F. **Voluntary Forfeiture.** Wesco agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$35,100 such sum payable to the Missouri State School Fund, in accordance with §374.049.11 and §374.280.2.

G. **Non-Admission.** Nothing in this Stipulation nor any act performed by Wesco pursuant to or in furtherance of this Stipulation shall be construed as an admission by Wesco, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above-referenced market conduct examination. Wesco expressly denies that any of its actions or alleged actions were knowingly committed or represented a pattern or business practice that would violate insurance unfair trade practice laws or any other applicable statutes or regulations. The parties agree that nothing in this Stipulation is intended to create any private rights or remedies against Wesco, to constitute evidence of wrongdoing by Wesco for the purpose of any third-party proceeding, or to waive any of Wesco's defenses against any person or entity not a party to this Stipulation. Wesco enters into this Stipulation to fully, finally, and completely resolve all matters encompassed within the scope of this Stipulation and market conduct examination without further regulatory or administrative process or any actions, requirement, or monetary payments beyond those enumerated herein.

H. **Waivers.** Wesco, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above-referenced market conduct examination.

I. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by representatives of the Division and Wesco.

J. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

K. **Authority.** The signatories below represent, acknowledge, and warrant that they are authorized to sign this Stipulation, on behalf of the Division and Wesco respectively.

L. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution and delivery of this Stipulation by facsimile or by an electronically transmitted signature shall be fully and legally effective and binding.

M. **Effect of Stipulation.** This Stipulation shall become effective only upon entry of a Final Order by the Director of the Department (hereinafter "Director") approving this Stipulation.

N. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 11-02-2021



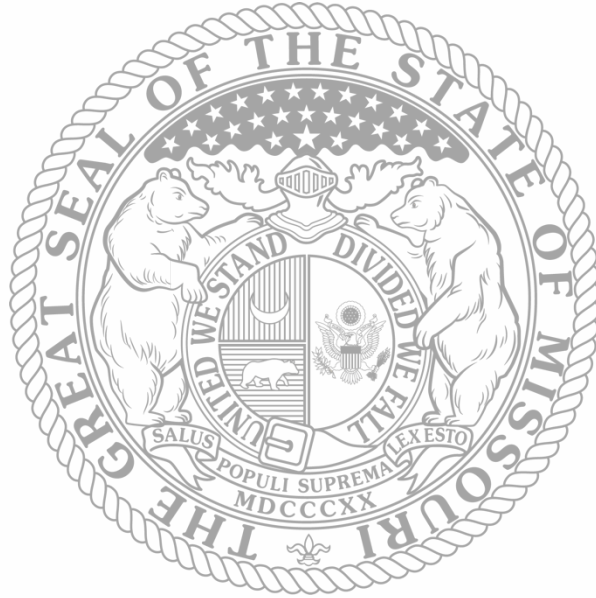
Stewart Freilich
Chief Market Conduct Examiner and
Senior Counsel
Division of Insurance Market Regulation

DATED: October 28, 2021



Barry Moses
Assistant Secretary and Vice President,
Senior Regulatory Counsel

Wesco Insurance Company



FINAL MARKET CONDUCT EXAMINATION REPORT
Property and Casualty Business of

Wesco Insurance Company
NAIC # 25011

MISSOURI SBS EXAMINATION # 317133

NAIC MATS #MO-HICKSS1-101

November 2, 2021

Home Office
251 Little Falls Drive
Wilmington, DE 19808

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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November 2, 2021

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your market conduct examination warrant, a targeted market conduct examination has been conducted of the specified lines of business and business practices of

Wesco Insurance Company (NAIC #25011)

hereinafter referred to as WIC or as the Company. This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI).

FOREWORD

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DCI.

During this examination, the examiners cited errors considered potential violations made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- “Company” refers to the Wesco Insurance Company
- “CSR” refers to the Missouri Code of State Regulation
- “DCI” refers to the Missouri Department of Commerce and Insurance
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance
- “NAIC” refers to the National Association of Insurance Commissioners
- “NCCI” refers to the National Council on Compensation Insurance
- “RSMo” refers to the Revised Statutes of Missouri

SCOPE OF EXAMINATION

The DCI has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.938, and 375.1009, RSMo., conducted in accordance with §374.205.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DCI regulations. The primary period covered by this review is January 1, 2015 through December 31, 2017, unless otherwise noted. Errors found outside of this time period may also be included in the report.

The examination was a targeted examination involving the following lines of business and business functions: Workers' Compensation Insurance (Underwriting/Rating, Licensing, and Policyholder Service).

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the NAIC *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized for reviews not applying the general business practice standard.

In performing this examination, the examiners reviewed only a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been found. As such, this report may not fully reflect all of the practices and procedures of the Company.

COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

COMPANY HISTORY

Wesco Insurance Company (the "Company") was incorporated on December 12, 1962, under the laws of New Mexico and commenced business on May 29, 1963. On August 14, 1991, the Company redomesticated to Delaware. On July 9, 1993, all of the common stock of the Company was sold to Beneficial Insurance Group Holding Company ("BIG"), a wholly-owned subsidiary of Beneficial Corporation ("Beneficial"). Beneficial remained the ultimate controlling entity until June 30, 1998, when Household International, Inc. ("Household") and Beneficial completed a corporate merger. Concurrent with the merger, BIG changed its name to Household Insurance Group Holding Company. Household succeeded as the ultimate parent company. On March 28, 2003, the Company was indirectly acquired by HSBC Holdings, plc, as a result of its acquisition of Household. On June 1, 2006, all of the common stock of the Company was sold to AFSI.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2017, the Company is licensed to write business in all 50 states, the District of Columbia, Puerto Rico and Guam. The Company has the authority to write the following lines of businesses: fire, allied lines, commercial multi-peril, ocean marine, inland marine, auto warranties, earthquake, other accident and health, workers' compensation, other liability, commercial automobile liability, commercial auto physical damage, fidelity, surety, glass, burglary and theft, boiler and machinery, credit, home warranties, service warranties (non-auto) and other warranty, and miscellaneous casualty lines insurance.

EXECUTIVE SUMMARY

The DCI conducted a targeted market conduct examination of Wesco Insurance Company. The examiners found the following areas of concern:

UNDERWRITING AND RATING

Active Guarantee Cost Workers' Compensation Policies

- In two files, the Company failed to use the NCCI standard payroll for officers and/or failed to use the correct payroll amount for officers. Reference: §287.955.1, RSMo, and NCCI Basic Manual - 2001 Edition User's Guide
- In 13 files, the Company used an unfiled rate to calculate the policy's final premium by charging for a Blanket Waiver when the Company did not file the rate with the Director. Reference: §287.947.1, RSMo, and 20 CSR 500-6.980(7)
- In two files, the Company failed to include the payroll amounts for employees and officers in one file and for a LLC member in another file. Reference: §287.955.1, RSMo, and NCCI Basic Manual – 2001 Edition User's Guide
- In eight files, the Company charged a non-cooperative audit fee without attaching the proper endorsement (WC 24 06 04 B) to the policy. Reference: §287.955.1, RSMo, and NCCI Basic Manual – 2001 Edition User's Guide
- In one file, the Company increased the schedule rating credit with no documented change in risk from the previous policy. Reference: §§287.950.1, 287.955.6(4)(d), (2014), 287.955.6(2)(d), (2016), RSMo, and 20 CSR 500-4.100(7)(D)
- In three files, the Company decreased the schedule rating credit for the policy period when there was no documented change in the risk from the previous policy. Reference: §§287.950.1, 287.955.6(4)(d), (2014), 287.955.6(2)(d), (2016), RSMo, and 20 CSR 500-4.100(7)(D)
- In two files, the Company implemented a schedule rating debit without documenting the file at the time the debit was applied as to the specific risk characteristics that justified the debit. Reference: §§287.955.6(2) and (3), (2016), RSMo, and 20 CSR 500-4.100(7)(D)
- In one file, the Company applied a 15% schedule rating credit when the file documentation supported a schedule rating credit of only 10%. Reference: §287.947.1, RSMo, and 20 CSR 500-6.950(7)
- In two files, the Company failed to maintain records in an archival manner. Reference: §374.205.2(2) and 20 CSR 100-8.040(4)(B)
- In three files, the Company applied an experience modification but was unable to provide NCCI documentation of the modification used to calculate the policy premium. Reference: §§287.937, 374.205(2), RSMo, and 20 CSR 100-8.040(3)(A)
- In one file, the Company failed to adhere to the uniform classification system and uniform experience rating plan filed with the Director when it discovered the insured had employees that were misclassified and added classification codes at final audit applying payroll to those codes. Reference: §287.955.1, RSMo, NCCI Basic Manual (2001 MO) – Missouri Rule 1.F. (Mo.)
- In two files, the Company failed to allocate a flat 10% of the officers' payroll to classification code 8810 in accordance with the uniform classification system and uniform experience rating plan filed with the Director. Reference: §287.955.1, RSMo, and NCCI Basic Manual – 2001 Edition User's Guide Missouri Rule 2.E.

- In two files, the Company attached the Waiver of Our Rights to Recover Endorsement (WC 00 13 13) to a policy with contracting classification codes 0042 and 5190 and to a policy with contracting classification code 5474. The endorsement does not apply to employers in the construction group of code classifications. Reference: §287.150.6, RSMo, and NCCI Basic Manual 2001, Rule 3.A.ss – Missouri Exception and Endorsement WC 00-03-13-note: #4
- In 100 policies, the Company attached forms for which it failed to obtain approval from the DCI. Reference: §287.310.1, RSMo, and 20 CSR 500-6.100(1)

Active Small Deductible Workers' Compensation Policies

- In 10 files, the Company failed to complete and attach the required Missouri Benefits Deductible Endorsement WC 24 06 03 to the small deductible policies. Reference: §§287.922.4 and .5, RSMo, and NCCI Forms Manual, WC 24 06 03 (Ed. 10-95)
- In four files, the Company used an unfiled rate to calculate the policy's final premium. Reference: §287.947.1, RSMo, and 20 CSR 500-6.950(7)

Active PEO Workers' Compensation Policies

- In 24 files, the Company attached numerous forms for which it failed to obtain approval from the DCI. The Company continued to use forms WC 00 03 01, WC 11 04 04, WC 00 04 22 A, WC 24 04 06 C and WC 24 06 04 after the forms were withdrawn by the filing agency. Reference: §287.310.1, RSMo, and 20 CSR 500-6.100(1)
- In 16 files, the Company did not use form WC 00 04 06 as filed. Reference: §287.310.1, RSMo., and 20 CSR 500-6.100(1)
- For 25 policies, the Company failed to attach one or more Missouri required forms. Reference: §§287.955.4 and .5, 287.310.1, RSMo, 20 CSR 500-6.100(1), and NCCI Forms Manual
- For one policy, the Company charged incorrect rates by issuing the policy with anniversary rating dates but failed to attach the required endorsement. Reference: §§287.947, 287.955.4 and .5, RSMo, and 20 CSR 500-6.950(7), and NCCI Forms Manual
- In three files, the Company arbitrarily applied schedule rating credits or debits and shifted risks among affiliated companies to get a desired premium. In correspondence with a producer, the Company stated it was due to rate decreases in Missouri. Reference: §§287.955.6(1), 287.950.1, 379.889, RSMo, and 20 CSR 500-4.100(7)(C) and (D)

Late Audit Policies

- In 41 files, the Company failed to obtain approval from the DCI to use form WC 24 06 04 attached to these policies after the forms were withdrawn from use by the filing agency. Reference: §287.310.1, RSMo, and 20 CSR 500-6.100(1)
- For 50 policies, the Company failed to attach Missouri required forms. Reference: §§287.955.4 and .5, RSMo, and NCCI Forms Manual

PRODUCER LICENSING

Active Guarantee Cost Workers' Compensation Policies

- In 71 files, policies were written by producers that were either not appointed or were appointed more than 30 days after the policy effective date. Reference: §§375.014, 375.022(2), RSMo, and 20 CSR 700-1.020

- In five files, the policies were written in a state other than Missouri and the producer was not licensed in the state in which the policy was issued. Reference: §§375.014.3(6), 375.014, 375.022(2), RSMo, and 20 CSR 700-1.020

POLICYHOLDER SERVICE

Late Audit Policies

- In 46 files, the Company failed to complete and bill audits or return premium within 120 days of policy expiration or cancellation without an allowable reason for the delay. Reference: §§287.310.1, 287.955.1 and .3, RSMo, and 20 CSR 500-6.500(2)(A)
- In 18 files, the Company did not notify the insured of the amount of the Audit Noncompliance Charge (“ANC”) that will be applied to the policy if the insured is uncooperative during the audit. Reference: §287.955.5, RSMo, NCCI Basic Manual Rule 3.A.1.13

EXAMINATION FINDINGS

I. UNDERWRITING AND RATING

The underwriting and rating portion of the examination provides a review of the Company’s compliance with Missouri statutes and regulations regarding underwriting and rating practices such as the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage.

A. Active Guarantee Cost Workers’ Compensation Policies

1. NAIC Chapter 20 Underwriting and Rating Standard 1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity’s rating plan.

To test for this standard, examiners requested and reviewed a random sample of 113 active guarantee cost workers’ compensation policies from data supplied by the Company to determine if the premiums charged agreed with the Company’s rate filing and NCCI rules.

Field Size	1,499
Sample Size	113
Type of Sample	Random
Number of Files in Error	25
Error Ratio	22.12%

The following errors were found in this review.

Finding 1: In one file, the Company failed to use the NCCI standard payroll for officers of \$39,500 for the president and did not use the correct officers’ payroll amount of \$39,500 for the secretary, resulting in an overcharge to the insured.

Reference: §287.955.1, RSMo, and NCCI Basic Manual – 2001 Edition User’s Guide

Finding 2: In one file, the Company failed to adhere to the NCCI Basic Manual rules when it used an incorrect payroll amount for the LLC member by using the 2016 payroll amount of \$39,500 instead of the 2015 payroll amount of \$38,400, resulting in an overcharge to the insured.

Reference: §287.955.1, RSMo, and NCCI Basic Manual – 2001 Editions User’s Guide (2015 Miscellaneous Values pages)

Finding 3: In 13 files, the Company used an unfiled rate to calculate the policy’s final premium. The Company charged for a Blanket Waiver when the Company had not filed the rate with the Director, resulting in overcharges to insureds.

Reference: §287.947.1, RSMo, and 20 CSR 500-6.980(7)

Finding 4: In one file, the Company used incorrect payroll amounts in calculating the premium for the 2017 policy term. The Company only used the payroll amounts from uninsured subcontractors and failed to include the payrolls for employees and officers. The failure to use rates filed with the DCI resulted in an undercharge to the insured.

Reference: §287.955.1, RSMo, and NCCI Basic Manual-2001 Edition User’s Guide

Finding 5: In eight files, the Company failed to adhere to NCCI Circular CIF-2015-12, which was released to implement the changes to the non-cooperative audit surcharge and became effective 1/1/2017, allowing companies the option to apply a charge when an insured does not permit the carrier to examine and audit its records, The use of the charge was at the discretion of the carrier; however, to apply the charge, the proper endorsement (WC 24 06 04 B) must have been attached to the policy at the inception of the policy term being audited. The Company charged a non-cooperative audit fee without attaching the endorsement in these eight files, resulting in an overcharge to the insureds.

Reference: §287.955.1, RSMo, and NCCI Basic Manual-2001 Edition User’s Guide

Finding 6: In one file, the Company failed to adhere to the rules of the NCCI’s Basic Manual by not including a LLC member’s payroll in the calculation of premium, resulted in an undercharge to the policyholder and an underpayment to the Second Injury Fund.

Reference: §287.955.1, RSMo, and NCCI Basic Manual-2001 Edition User’s Guide (2015 Miscellaneous Value pages)

- 2. NAIC Chapter 21 Underwriting and Rating Standard 2: Schedule rating or individual risk premium modification plans, where permitted, are based on objective criteria with usage supported by appropriate documentation.**

To test for this standard, examiners requested and reviewed a random sample of 113 active guarantee cost workers' compensation policies from data supplied by the Company to determine if schedule rating credits or debits were based on actual changes in risk and evidence was contained in the file of the insurer at the time the debit or credit was applied.

Field Size	1,499
Sample Size	113
Type of Sample	Random
Number of Files in Error	7
Error Ratio	6.19%

The following errors were found in this review.

Finding 1: In one file, the Company increased the schedule rating debit for the policy period when there was no change in the risk from the previous policy. The Company increased the debit from 15% to 18% with no documentation in the file regarding any change in the risk, which resulted in an overcharge to the insured.

Reference: §§287.950.1, 287.955.6(4)(d), (2014), 287.955.6(2)(d), (2016), RSMo, and 20 CSR 500-4.100(7)(D)

Finding 2: In one file, the Company decreased the schedule rating credit for the policy period when there was no documented change in the risk from the previous policy. The schedule rating credit for the 2015 policy period was decreased 5% with no documented change in the risk, and resulted in an overcharge to the insured.

Reference: §§287.950.1, 287.955.6(4)(d), (2014), 287.955.6(2)(d), (2016), RSMo, and 20 CSR 500-4.100(7)(D)

Finding 3: In one file, the Company decreased the schedule rating credit for the policy period when there was no documented change in the risk from the previous policy term. The Company changed the credit for the 2017 policy term from 25% to 22% with no documentation in the file regarding any change in risk.

Reference: §§287.950.1, 287.955.6(4)(d), (2014), 287.955.6(2)(d), (2016), RSMo, and 20 CSR 500-4.100(7)(D)

Finding 4: In one file, the Company implemented a 20% schedule rating debit without documenting the file at the time the debit was applied as to how the debit was calculated and the risk characteristics that justified the debit. This resulted in an overcharge to the insured.

Reference: §§287.955.6(2)(d) and (3), (2016), RSMo, and 20 CSR 500-4.100(7)(D)

Finding 5: In one file, the Company applied a schedule rating debit of 20% for the 2017 policy term without documenting the file at the time the debit was applied as to how the debit was

calculated and the risk characteristics that justified the debit. The schedule rating worksheets in the file for the 2016 and 2017 policy terms both show a zero adjustment factor.

Reference: §§287.955.6(2)(d) and (3), (2016), RSMo, and 20 CSR 500-4.100(7)(D)

Finding 6: In one file, the Company decreased the schedule rating credit for the 2017 policy term from 25% to 15% with no documentation in the file regarding any change in the risk

Reference: §§287.950.1, 287.955.6(4)(d), (2014), 287.955.6(2)(d), (2016), RSMo, and 20 CSR 500-4.100(7)(D)

Finding 7: In one file, the Company applied a 15% schedule rating credit when the file documentation supported a schedule rating credit of only 10%. This resulted in an undercharge to the insured and an underpayment to the Second Injury Fund.

Reference: §287.947.1, RSMo, and 20 CSR 500-6.950(7)

Finding 8: The Company failed to maintain records in an archival manner. In two separate files for Findings 5 and 6 above, the Company added information to a document that was finalized for document retention purposes.

Reference: §374.205.2(2) RSMo, and 20 CSR 100-8.040(4)(B).

3. NAIC Chapter 21 Underwriting and Rating Standard 5: Verification of experience modification factors.

To test for this standard, examiners requested and reviewed a random sample of 113 active guarantee cost workers' compensation policies from data supplied by the Company to determine if the file contained NCCI documentation of the experience modification factor and if the correct factor was applied to the policy.

Field Size	1,499
Sample Size	113
Type of Sample	Random
Number of Files in Error	3
Error Ratio	2.65%

The following errors were found in this review.

Finding 1: In one file, the Company applied an experience modification to the policy without documentation of the experience modification used to calculate the policy premium. Without the NCCI experience modification worksheet, examiners were unable to determine if the correct experience modification factor was used.

Reference: §374.205(2), RSMo, and 20 CSR 100-8.040(3)(A)

Finding 2: In two files, the Company stated that there was no experience modification for the insured risk, but applied an experience modification of .99 on one and .97 on the other. The Company failed to maintain documentation of the experience modification used to calculate the policy premium.

Reference: §§287.937, 374.205(2), RSMo, and 20 CSR 100-8.040(3)(A)

4. NAIC Chapter 21 Underwriting and Rating Standard 8: Underwriting, rating and classification are based on adequate information developed at or near inception of the coverage rather than near the end, or following a claim.

To test for this standard, examiners requested and reviewed a random sample of 113 active guarantee cost workers’ compensation policies from data supplied by the Company to determine if classification codes were added to the policy at audit.

Field Size	1,499
Sample Size	113
Type of Sample	Random
Number of Files in Error	1
Error Ratio	0.88%

The following error was found in this review.

Finding 1: In one file, the Company failed to adhere to the uniform classification system and uniform experience rating plan filed with the Director. The Company discovered the insured had employees that were misclassified. Classification codes were added at final audit with payroll assigned to the new codes, resulting in an overcharge to the insured.

Reference: §287.955.1, RSMo, and NCCI Basic Manual (2001 MO)-Missouri Rule 1.F. (Mo.)

5. NAIC Chapter 21 Underwriting and Rating Standard 17: All policies are correctly coded.

To test for this standard, examiners requested and reviewed a random sample of 113 active guarantee cost workers’ compensation policies from data supplied by the Company to determine if policies were correctly coded.

Field Size	1,499
Sample Size	113
Type of Sample	Random
Number of Files in Error	2
Error Ratio	1.76 %

The following errors were found in this review.

Finding 1: In one file, the Company failed to allocate 10% of the president’s payroll to classification code 8810, resulting in an overcharge to the insured. The Company failed to

adhere to the uniform classification system and uniform experience rating plan filed with the Director.

Reference: §287.955.1, RSMo, and NCCI Basic Manual – 2001 Edition User’s Guide Missouri Rule 2.E.

Finding 2: In one file, the Company failed to allocate a flat 10% of the four officers’ payrolls in classification code 8810 from classification code 8855. The Company failed to adhere to the uniform classification system and uniform experience rating plan filed with the Director.

Reference: §287.955.1, RSMo, and NCCI Basic Manual – 2001 Edition User’s Guide Missouri Rule 2.E.

6. NAIC Chapter 20 Underwriting and Rating Standard 5: All forms, including policies, contracts, riders, amendments, endorsement forms and certificates are filed with the insurance department, if applicable.

To test for this standard, examiners requested and reviewed a random sample of 113 active guarantee cost workers’ compensation policies from data supplied by the Company to determine if the forms making the policy were filed with the Director and used as filed.

Field Size	1,499
Sample Size	113
Type of Sample	Random
Number of Files in Error	101
Error Ratio	89.38 %

The following errors were found in this review.

Finding 1: In two files, the Company attached the Waiver of Our Rights to Recover Endorsement (WC 00 13 13) to a policy with contracting classification codes 0042 and 5190 and a policy with contracting classification code 5474. The endorsement does not apply to policies in Missouri where the employer is in the construction group of code classifications.

Reference: §287.150.6, RSMo, and NCCI Basic Manual 2001, Rule 3.A.22-Missouri Exception and Endorsement WC 00-03-13-note: #4

Finding 2: In 100 policies, the Company attached forms for which it failed to obtain approval from the DCI. The Company continued the use of forms WC 24 06 04, WC 00 04 04, and WC 24 06 04 when the forms were withdrawn from use by the filing agency. Form WC 00 04 06 A was used but not submitted by the filing agency for use in Missouri. All endorsements attached to or made a part of the basic policy which have not been submitted by a filing agency on behalf of its members and subscribers must be submitted by each Company.

Reference: §287.310.1, RSMo, and 20 CSR 500-6.100(1)

B. Active Small Deductible Workers' Compensation Policies

1. NAIC Chapter 21 Underwriting and Rating Standard 11: All forms and endorsements forming a part of the contract are listed on the declaration page and should be filed with the insurance department (if applicable).

To test for this standard, examiners requested and reviewed a census sample of 18 active small deductible workers' compensation policies from data supplied by the Company to determine if policies contained required forms.

Field Size	18
Sample Size	18
Type of Sample	Census
Number of files in Error	10
Error Ratio	55.55%

The following errors were found in this review.

Finding 1: In 10 files, the Company failed to adhere to the approved manual rules of the NCCI by not completing and attaching the required Missouri Benefits Deductible Endorsement WC 24 06 03 to the small deductible policies reviewed.

Reference: §§287.955.4 and .5, RSMo, and NCCI Forms Manual, WC 24 06 03 (Ed. 10-95)

2. NAIC Chapter 20 Underwriting and Rating Standard 1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan.

To test for this standard, examiners requested and reviewed a census of 18 active small deductible workers' compensation policies from data supplied by the Company to determine if the premiums charged agreed with the Company's rate filing and NCCI rules.

Field Size	18
Sample Size	18
Type of Sample	Census
Number of files in Error	4
Error Ratio	22.22%

The following errors were found in this review.

Finding 1: In four files, the Company used an unfiled rate to calculate the policy's final premium. The Company used a small deductible credit that was different from what was filed, which resulted in overcharges to the insureds.

Reference: §287.947.1, RSMo, and 20 CSR 500-6.950(7)

C. Active PEO Workers' Compensation Policies

- 1. NAIC Chapter 20 Underwriting and Rating Standard 5: All forms, including policies, contracts, riders, amendments, endorsement forms and certificates are filed with the insurance department, if applicable.**

To test for this standard, examiners requested and reviewed a census of 25 active PEO workers' compensation policies from data supplied by the Company to determine if the forms making the policy were filed with the Director and were used as filed.

Field Size	25
Sample Size	25
Type of Sample	Census
Number of files in Error	24
Error Ratio	96.00%

The following errors were found in this review.

Finding 1: In 24 files, the Company attached forms for which it failed to obtain approval from the DCI. The Company continued the use of forms WC 00 03 01, WC 00 04 04, WC 00 04 22 A, WC 24 04 06 C, and WC 24 06 04 after the forms were withdrawn from use by the filing agency. All endorsements attached to or made a part of the basic policy which have not been submitted by a filing agency on behalf of its members and subscribers must be submitted by each Company. If the Company intends to continue the use of forms which have been withdrawn from use by the filing agency, the Company must individually file to use such forms.

Reference: §287.310.1, RSMo, and 20 CSR 500-6.100(1)

Finding 2: In 16 files, the Company included Missouri on form WC 00 04 06, but did not display the premium discount as filed with the DCI. The estimated eligible premium for each discount level was not displayed with the correct premium ranges as filed. The form was not used as filed as it relates to Missouri exposure.

Reference: §287.310.1, RSMo, and 20 CSR 500-6.100(1)

- 2. NAIC Chapter 21 Underwriting and Rating Standard 11: All forms and endorsements forming a part of the contract are listed on the declaration page and should be filed with the insurance department (if applicable).**

To test for this standard, examiners requested and reviewed a census of 25 active PEO workers' compensation policies from data supplied by the Company to determine if policies contained required forms.

Field Size	25
Sample Size	25
Type of Sample	Census
Number of files in Error	25
Error Ratio	100.00%

The following errors were found in this review.

Finding 1: In 25 files, the Company failed to adhere to the approved NCCI Forms Manual rules by not attaching one or more Missouri required forms WC 24 06 02 B, WC 24 06 04 A, WC 24 06 04 B, and WC 24 04 06 D.

Reference: §§287.955.4 and .5, 287.310.1, RSMo, 20 CSR 500-6.100(1), and NCCI Forms Manual

3. NAIC Chapter 20 Underwriting and Rating Standard 1: The rate charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity’s rating plan.

To test for this standard, examiners requested and reviewed a census of 25 active PEO workers’ compensation policies from data supplied by the Company to determine if the premiums charged agreed with the Company’s rate filing and NCCI rules.

Field Size	25
Sample Size	25
Type of Sample	Census
Number of files in Error	1
Error Ratio	0.04%

The following errors were found in this review.

Finding 1: In one file, the Company charged the wrong rates by issuing the policy with an anniversary rating date but failed to attach the required endorsement, WC 00 04 02, to the policy, resulting in an overcharge to the insured.

Reference: §§287.947, 287.955.4 and .5, RSMo, and 20 CSR 500-6.950(7), and NCCI Forms Manual

4. NAIC Chapter 21 Underwriting and Rating Standard 1: Credits, debits and deviations are consistently applied on a non-discriminatory basis.

To test for this standard, examiners requested and reviewed a census of 25 active PEO workers’ compensation policies from data supplied by the Company to determine if schedule rating credits and debits were applied consistently in a non-discriminatory manner and in accordance with the Company’s rate filing.

Field Size	25
Sample Size	25
Type of Sample	Census
Number of files in Error	3
Error Ratio	12.00%

The following errors were found in this review.

Finding 1: In three files, documentation in the file showed the Company arbitrarily applied schedule rating credits or debits and shifted risks among affiliated insurers to get a desired premium. Correspondence in the file between the underwriter and a producer state it was because of rate decreases in Missouri. The Company failed to properly apply schedule rating credits and debits for risk characteristics set forth in the Company’s rate filing and in accordance with Missouri law.

Reference: §§287.955.6(1), 287.947.1, 287.950.1, 379.889, RSMo, and 20 CSR 500-4.100(7)(C)&(D)

D. Late Audit Policies

- 1. NAIC Chapter 20 Underwriting and Rating Standard 5: All forms, including policies, contracts, riders, amendments, endorsement forms and certificates are filed with the insurance department, if applicable.**

To test for this standard, examiners requested and reviewed a random sample of 50 late audit workers’ compensation policies from data supplied by the Company to determine if the forms making the policy were filed with the Director and were used as filed.

Field Size	347
Sample Size	50
Type of Sample	Random
Number of files in Error	41
Error Ratio	82.00%

The following errors were found in this review.

Finding 1: In 41 files, the Company attached forms to its policies for which it failed to obtain approval from the DCI. The Company continued to use forms WC 24 06 04 after the forms were withdrawn from use by the filing agency. All endorsements attached to or made part of the basic policy which have not been submitted by a filing agency on behalf of its members and subscribers must be submitted by each Company.

Reference: §287.310.1, RSMo, and 20 CSR 500-6.100(1)

2. NAIC Chapter 21 Underwriting and Rating Standard 11: All forms and endorsements forming a part of the contract are listed on the declaration page and should be filed with the insurance department (if applicable).

To test for this standard, examiners requested and reviewed a random of 50 late audit workers' compensation policies from data supplied by the Company to determine if policies contained required forms.

Field Size	347
Sample Size	50
Type of Sample	Random
Number of files in Error	50
Error Ratio	100.00%

The following errors were found in this review.

Finding 1: In 50 files, the Company failed to adhere to the approval manual rules of the NCCI by not attaching the Missouri required forms WC 24 06 04 A or WC 24 06 04 B, depending on the effective date of the policy.

Reference: §§287.955.4 and .5, RSMo, and NCCI Forms Manual

E. Policies Shifted Between Affiliated Companies Policies

Examiners requested and reviewed a census of 12 policies that were written by affiliated insurers for subsequent policy terms or moved to Wesco in the current term from an affiliated insurer to determine if risks were moved between affiliated insurers due to an actual change in risk or to circumvent rate decreases and schedule rating constraints.

Field Size	12
Sample Size	12
Type of Sample	Census
Number of files in Error	0
Error Ratio	0.00%

The examiners found no errors in this review.

II. PRODUCER LICENSING

The producer licensing portion of the examination reviews a regulated entity's compliance with Missouri producer licensing laws and regulations.

A. Active Guarantee Cost Workers' Compensation Policies

1. NAIC Chapter 20 Producer Licensing Standard 1: Regulated entity records of licensed and appointed (if applicable) producers and in jurisdictions where applicable, licensed company or contracted independent adjusters agree with insurance department records.

To test for this standard, examiners requested and reviewed a random sample of 113 active guarantee cost workers' compensation policies from data supplied by the Company to determine if any policies were sold by producers that were not properly appointed by the Company.

Field Size	1,499
Sample Size	113
Type of Sample	Random
Number of files in Error	71
Error Ratio	62.83%

The following errors were found in this review.

Finding 1: In 71 files, policies were written by producers that were either not listed on the Company's producer registry or the appointment date was more than thirty days after the policy's effective date.

Reference: §§375.014, 375.022(2), RSMo, and 20 CSR 700-1.020

2. NAIC Chapter 20 Producer Licensing Standard 2: The producers are properly licensed and appointed and have appropriate continuing education (if required by state law) in the jurisdiction where the application was taken.

To test for this standard, examiners requested and reviewed a random sample of 113 active guarantee cost workers' compensation policies from data supplied by the Company and checked the licensing status of producers appearing on applications in the sample policy files to ensure producers were licensed according to Missouri law.

Field Size	1,499
Sample Size	113
Type of Sample	Random
Number of files in Error	5
Error Ratio	4.42%

The following errors were found in this review.

Finding 1: In five files, the policy was written in a state other than Missouri and the producer was not licensed in the state in which the policy was issued and where the insured's principal place of business was located.

Reference: §§375.014.3(6), 375.014, 375.022(2), RSMo, and 20 CSR 700-1.020

III. POLICYHOLDER SERVICE

The policyholder service portion of the examination reviews the Company's compliance with Missouri statutes and regulations regarding notice/billing, delays/no response, and premium refund and coverage questions.

A. Late Audit Policies

1. NAIC Chapter 20 Policyholder Service Standard 1: Premium notices and billing notices are sent out with an adequate amount of advance notice.

To test for this standard, examiners requested and reviewed a random sample of 50 late audit workers' compensation policies from data supplied by the Company to determine if audits were completed and billed within 120 days of policy expiration or cancellation reviewing for a permissive reason for the delay.

Field Size	347
Sample Size	50
Type of Sample	Random
Number of files in Error	46
Error Ratio	92.00%

The following errors were found in this review:

Finding 1: In 46 files, the Company failed to complete and bill audits or return premium within 120 days of policy expiration or cancellation and failed to provide evidence the audits were late due to a mutual agreement between the Company and the insured or due to the insured's failure to respond to reasonable and timely audit requests.

Reference: §§287.955.1 and .3, 287.310.1, RSMo, and 20 CSR 500-6.500(2)(A)

Finding 2: In 18 files, the Company did not notify the insured of the amount of the ANC that will be applied to the policy if the insured is non-cooperative in the audit process. The Company's requests for information state the policy may be subject to a potential surcharge, but does not provide the specific amount of the ANC in accordance with NCCI rules.

Reference: §287.955.5, RSMo, and NCCI Basic Manual Rule 3.A.1.13

IV. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri statutes and regulations require companies to respond to criticisms and formal requests within 10 calendar days. In the event an extension of time was requested by the Company and granted by the examiners, the response was deemed

timely if it was received within the subsequent time frame. If the response was not received within the allotted time, the response was not considered timely.

A. Criticism Time Study

Number of Calendar Days to Respond	Number of Criticisms	Percentage of Total
0 to 10 days	15	32.00%
Over 10 days with extension	18	38.00%
Over 10 days without extension or after extension due date	14	30.00%
Totals	47	100.00%

Finding 1: The Company was late in responding to 14 criticisms.

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(6)

B. Formal Request Time Study

Number of Calendar Days to Respond	Number of Requests	Percentage of Total
0 to 10 days	7	18.00%
Over 10 days with extension	15	38.00%
Over 10 days without extension or after extension due date	17	44.00%
Totals	39	100.00%

Finding 1: The Company was late responding to 17 formal requests.

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(6)

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Wesco Insurance Company (NAIC #25011), Examination Number 317133. This examination was conducted by Martha Long, Julie Hesser, Jon Meyer and Dana Whaley, Shelly Herzing, Dale Hobart, Darren Jordan and Tad Herin. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated August 12, 2020. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

11-02-2021

Date



Stewart Freilich

Chief Market Conduct Examiner