

EXECUTIVE SUMMARY

A targeted market conduct examination of Homesite Indemnity Company, also referred to as the “Company”, was conducted pursuant to, but not limited to K.S.A. 40-222. The examination period was from January 1, 2010 through August 31, 2011. The primary focus of the exam was operations and management, complaint handling and claim processing related to homeowners insurance. The examination was called due to an increase in complaints and untimely responses to KID on numerous complaint files.

There were two issues noted in the area of complaint handling. One issue was concerning inaccuracies in the complaint register. The other issue was failure to respond timely to the Kansas Insurance Department upon receipt of complaint correspondence. Relating to claims handling, the main issues found were not investigating timely, not accepting or denying timely after receipt of proof of loss, and not sending required notices when claim files were still open after 45 days. Other violations were noted, but were below the error tolerance and not considered to be business practices.

Prior to the finalization of this exam report, the Company submitted to KID a detailed listing of the corrective actions they have either already put into place or are planning to implement in order to address the complaint and claim handling issues noted in the exam report. The exam team will follow up with the Company at a later date to ensure the issues have properly been addressed.

The exam team has made several recommendations based on the violations found during the examination, regardless of whether the standard was passed or failed. Additional details on each standard including percentages of compliance are found within the individual sections of this report.

Recommendations

COMPLAINT HANDLING

1. The Company must ensure the required dates on the complaint register are accurate. The Company also should have a consistent manner in which to reflect any follow-up complaints on the log.
2. The Company should ensure all relevant documents are saved in order to recreate the files if necessary.
3. The Company must ensure adequate responses are sent to the Kansas Insurance Department on complaint files within the required timeframe.

[Note: The Company has indicated that changes have been implemented to address the issues with the complaint log inaccuracies as well as improve efficiencies in complaint handling.]

CLAIM HANDLING

1. The Company must have procedures in place to ensure claims are investigated timely. When independent adjusters are used, there should be a mechanism to follow up to ensure reports are received timely.
2. The Company must ensure procedures are in place to accept or deny claims timely after receipt of proof of loss as well as to provide necessary notifications when claims are still being investigated.
3. The Company should ensure procedures are in place to respond to correspondence from claimants in the required timeframe.
4. The Company should ensure procedures are in place to maintain adequate file documentation.
5. The Company should ensure procedures are in place to consistently make fair and adequate claim settlements based on the policy provisions.

[Note: The Company has indicated several procedures and system enhancements have been or are in the process of being implemented to improve the claim investigation and communication processes.]