

MARKET CONDUCT
EXAMINATION REPORT OF
PHARMACISTS MUTUAL INSURANCE COMPANY
ALGONA, IOWA
AS OF DECEMBER 31, 2017

Algona, Iowa
September 3, 2019

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, business affairs and marketing practices of

PHARMACISTS MUTUAL INSURANCE COMPANY

ALGONA, IOWA

AS OF DECEMBER 31, 2017

At the Company's Main Administrative Office, 808 Highway 18 West, Algona, Iowa 50511.

INTRODUCTION

This examination report, containing applicable comments, explanations and findings, is presented herein. In general, this is a report by exception. Comments regarding practices and procedures reviewed during the examination have been omitted from the report if no improprieties were found. All unacceptable or non-complying practices may not have been identified. The failure to identify specific company practices does not constitute acceptance of these practices.

SCOPE OF EXAMINATION

This risk-focused, market conduct examination of Pharmacists Mutual Insurance Company, hereinafter referred to as the Company, covers the period from January 1, 2013 through December 31, 2017. The risk-focused examination reviews the Company's internal policies, procedures, and control structures for compliance with applicable Iowa statutes and administrative rules. The examination then focuses on the Company's compliance with those policies, procedures, and control structures.

This Report of Examination reflects the examination of the Company's activities with Iowa consumers.

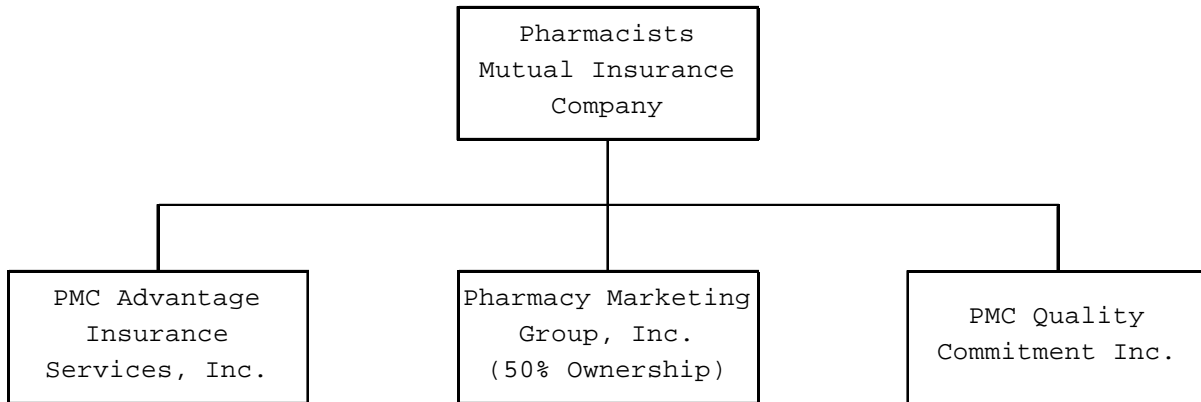
HISTORY

The Company was incorporated October 16, 1909 as the Retail Druggists Mutual Insurance Association of Iowa. In 1920 the Company, by proper legal procedures, was transformed from an association to a mutual company and changed its name to Druggists Mutual Insurance Company of Iowa. By amendment to the Articles of Incorporation in 1950, the Company's corporate existence was made perpetual. By proper amendment to the Articles of Incorporation in 1992, the present corporate title, Pharmacists Mutual Insurance Company, was adopted.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. An Insurance Holding Company System Registration Statement was filed annually with the Iowa Insurance Division for each year of the examination period.

An organization chart, as of December 31, 2017, identifying the Insurance Holding Company System is listed below:



TERRITORY AND PLAN OF OPERATION

At December 31, 2017, the Company was authorized to transact business in all 50 states, Puerto Rico, and the District of Columbia.

The Company writes commercial and personal products, including commercial multiple peril, workers' compensation, and professional liability coverage. Personal lines are also offered including homeowners, personal umbrella, and automobile. Products are marketed through employee agents and independent agencies and brokers. The majority of policyholders are pharmacists and independent pharmacy owners, though the Company expanded into other growing markets such as dentists, home healthcare operations, durable medical equipment providers, nursing homes, grocery stores, and gift and card shops.

PRODUCER LICENSING AND APPOINTMENTS

The Examiners reviewed the Company's onboarding, licensing, and termination process. Further, the Examiners reviewed the company's agent reconciliation process and producer training schedule. All were found to be in compliance with state statutes and regulations.

MARKETING AND SALES

The Examiners reviewed the Company's advertising policies and procedures, marketing plan, and agent training practices. The policies and procedures were found to be in compliance with state statutes and regulations.

TREATMENT OF POLICYHOLDERS

Claim Practices

The Examiners reviewed the Company's processes and procedures for claim payments. A sample of 25 claims was reviewed for timely payment and file documentation. All samples and procedures were in compliance with applicable statutes and regulations.

Complaints

The Examiners reviewed the complaint register and complaint handling procedure. The Company's complaint register was found to be in compliance with applicable statutes and regulations. The examiners reviewed all 19 complaints filed in the registers

between December 31, 2013 and June 25, 2018 to determine if the Company provides complete responses and takes appropriate action. All complaints were found to be handled in a manner consistent with policy provisions. There were no complaints filed with the Iowa Insurance Division during the examination.

Underwriting Practices

The Examiners reviewed the Company's procedures relating to underwriting. All procedures were in compliance with applicable statutes and regulations.

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, Randy Guzman and Jean Yohnke, examiners for the Iowa Insurance Division, participated in the examination and the preparation of this report.

Respectfully submitted,

____/s/ Jeff Payne_____

Jeff Payne, CFE
Insurance Specialist
Iowa Insurance Division
State of Iowa