

MARKET CONDUCT  
EXAMINATION REPORT OF  
MIDWEST FAMILY MUTUAL INSURANCE COMPANY  
WEST DES MOINES, IOWA  
AS OF DECEMBER 31, 2020

West Des Moines, Iowa  
April 27, 2022

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

Commissioner:

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

MIDWEST FAMILY MUTUAL INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2020

at its statutory home office 4401 Westown Parkway, Suite 305, West Des Moines, Iowa.

#### INTRODUCTION

This market conduct 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 Midwest Family Mutual Insurance Company, herein referred to as the “Company”, covers the period from January 1, 2016 through December 31, 2020. This report details the examination of Midwest Family Mutual Insurance Company, herein referred to as the “Company”, with a separate examination report prepared for subsidiary, Midwest Family Advantage Insurance Company. The risk-focused examination reviews internal policies, procedures, and control structures for compliance with applicable Iowa statutes and administrative rules. The examination then focuses on the Companies’ compliance with those policies, procedures, and control structures.

#### HISTORY

The Company was incorporated under the laws of the State of Minnesota and commenced business in 1891. The original name of the Company was Minnesota Farmers Mutual Insurance Company. The present name of the Company was adopted in 1983.

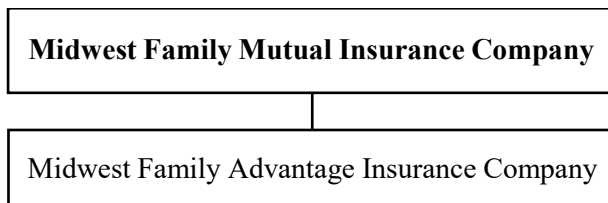
The Company initially wrote windstorm and personal property coverages in the farm communities of Minnesota. In 1991, commercial lines were added to allow the company to further broaden product lines.

On December 8, 2011, the policyholders of the Company voted to approve the re-domestication of the Company from the State of Minnesota to the State of Iowa. Upon approval by the Insurance Commissioners of Minnesota and Iowa, the Company was re-domesticated to Iowa effective January 1, 2012.

On December 1, 2017, the Company created a wholly owned subsidiary, Midwest Family Advantage Insurance Company. The Company provided \$10,000,000 in exchange for 100% of the stock of Midwest Family Advantage Insurance Company.

#### INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Mutual Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. The Company holds 100% of the voting rights of the stock subsidiary, Midwest Family Advantage Insurance Company.



#### TERRITORY AND PLAN OF OPERATION

The Company is a multiple-line commercial and personal, property and casualty insurance writer with a majority of the business being commercial (92%). The Company offers a Commercial Portfolio insurance program that allows customers to package all their commercial coverages under one policy. The Company also offers a First Class Portfolio insurance program on personal lines which allows affluent customers to package their homeowners, personal auto, boatowners, and personal umbrella coverages.

The Company is licensed in 33 states, but only actively writes in 21. The Company markets through independent agents, with the largest books of business being commercial multiple-peril, commercial auto liability, commercial auto physical damage, and worker's compensation. The top five states in which the Company writes direct business are Minnesota, Iowa, Arizona, Missouri, and Utah which accounts for 45% of total direct written premium.

#### TREATMENT OF POLICYHOLDERS

##### Claim Practices

The Examiners reviewed the Company's claim handling policies and procedures. The Examiners then reviewed a sample of 40 paid claims to verify timeliness of settlement and adherence to claim policies and procedures. No issues of non-compliance were found.

The Examiners also reviewed a sample of 36 denied claims, no ongoing concerns with the Company's handling of denials was noted.

## Complaints

Complaints are all reviewed and addressed by members of management. Examiners reviewed the complaint register for the exam period. The Examiners note that the Company's complaint register is not in compliance with IAC 191.15 (1). The Company does not record all complaints, but rather those filed through a Department of Insurance. Further, the Complaint Register did not contain all the minimum information required. Prior to the close of the exam, the Company has revised the Complaint Register to capture all required information, has educated staff regarding the recording of direct-from-consumer complaints, and has added a "File a Complaint" link on the Company website.

## Underwriting

The Examiners reviewed the underwriting policies and guidelines to ensure adherence to underwriting standards. The Examiners reviewed a sample of 34 denied applications. No compliance issues were noted.

The Examiners also reviewed a sample of 18 cancelled or non-renewed policies, all samples reviewed followed underwriting guidelines and applicable state statutes.

## MARKETING AND SALES

The Vice President of Marketing is responsible for the oversight of advertising and marketing materials with coordination between the marketing, underwriting, and R&D departments for the development of marketing materials as well as agency submissions. The Examiners reviewed the advertising log and found it to be compliant with applicable statutes.

## PRODUCER LICENSING

The Company does not have formalized procedures for the appointment, termination, or reporting of producers terminated 'for cause'. The Company licensing team works with regional marketing managers for managing the licenses of producers. Prior to the close of the exam, the Company implemented a new vendor licensing module for the automated reconciliation of producer licenses.

## CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Group during this examination.

In addition to the undersigned, the following Iowa Insurance Division examiners participated in the examination and preparation of this report: John Echeveste, Mick Jepsen, Logan Thomsen, and Aaron Syverson.

Respectfully submitted,

/s/ Amanda Theisen  
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Examiner-in-Charge  
Insurance Division  
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