



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF

**FOREMOST INSURANCE COMPANY
GRAND RAPIDS, MICHIGAN
CALEDONIA, MI**

As of: March 20, 2025
Issued: May 6, 2025

**BUREAU OF MARKET ACTIONS
PROPERTY & CASUALTY DIVISION**



PENNSYLVANIA INSURANCE DEPARTMENT
EXAMINATION VERIFICATION

I, Sarah L. Bridendall, Examiner-In-Charge from Assurity Resources, Inc.

certify that I was the Examiner-In-Charge of the Report of Examination of Foremost Insurance Company, Grand Rapids, made as of 03/31/2024

The last date of examination file review was 03/10/2025 and the written Report of Examination was reviewed and accepted by the Paul E. Towsen, III

on 03/12/2025

I have reviewed the completed written Report of Examination and certify that the facts and figures recited therein are true and accurate, according to the records, documents and other evidence obtained during the course of the examination.

Sarah L. Bridendall, CFE, CISA, CIE, ALMI, AMCM (Examiner-in Charge)

Assurity Resources, Inc. (Name of Vendor/Department)

12135 Thicket Hill Circle, Carmel, IN 46033 (Address of Vendor/Department)

Sarah L. Bridendall (Examiner in Charge Signature)

03/12/2025 (Date)

IN ORDER TO SATISFY SECTION 40 P.S. § 323.5(b), THAT PROVIDES FOR NO LONGER THAN SIXTY (60) DAYS FROM THE COMPLETION OF THE EXAMINATION, THE EXAMINER IN CHARGE SHALL FILE WITH THE DEPARTMENT A VERIFIED WRITTEN REPORT OF EXAMINATION UNDER OATH.

FOREMOST INSURANCE COMPANY GRAND RAPIDS, MICHIGAN

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this __3rd__ day of _July___, 2023, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate David J. Buono, Jr., Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.



Michael Humphreys
Insurance Commissioner

duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is Foremost Insurance Company Grand Rapids, Michigan, and maintains its address at 5600 Beech Tree Lane, Caledonia, MI 49316.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from January 1, 2023, through March 31, 2024.
- (c) On March 20, 2025, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on April 17, 2025.
- (e) The Market Conduct Examination of Respondent revealed violations of the following:

- (i) All findings and conclusions in the Examination Report, which is attached hereto, are hereby incorporated into this Consent Order

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.

- (b) Respondent's violations of 40 P.S. §1171.5(a)(9) are punishable by the following, under Section 9 of the Unfair Insurance Practices Act (40 P.S. §1171.9):
 - (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

- (c) In addition to any penalties imposed by the Commissioner for Respondent's violations of 40 P.S. §§1171.1 – 1171.5, the Commissioner may, under (40 P.S. §§1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:

- (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);
- (ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall pay Four Thousand Dollars (\$4,000.00) in settlement of all violations contained in the Report.
- (c) Payment of this matter shall be made at <https://www.bpp.ob.pa.gov/Customer>.
Instructions on how to do this are provided in the attached cover letter to this order.
Payment must be made no later than thirty (30) days after the date of this Order.
- (d) To determine Respondent's compliance with the full and timely implementation of all recommendations in the Examination Report, the Department may inquire with

the Respondent about its implementation of the Recommendations no earlier than twelve (12) months from the date of this Order.

(e) Respondent shall share the Examination Report and this Order with each of its directors and submit affidavits executed by each of its directors, stating under oath that they have received a copy of the Examination Report and this Order. Such affidavits shall be submitted within thirty (30) days of the date of this Order.

(f) Respondent shall comply with all recommendations contained in the attached Report.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

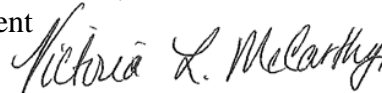
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: FOREMOST INSURANCE COMPANY
GRAND RAPIDS, MICHIGAN

Respondent



Vice President



President of Foremost



DAVID J. BUONO

Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Examination (Examination) was conducted as a targeted examination of Foremost Insurance Company Grand Rapids, Michigan, (the Company) (NAIC # 11185). All reviews were conducted remotely at off-site locations.

Pennsylvania Market Conduct Examination Reports generally note the items that have been reviewed and whether there is a violation of law or regulation. A violation is any instance of a Company activity that does not comply with an insurance statute or regulation. Violations contained in an Examination Report may result in the imposition of penalties. An Examination Report also includes 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 to determine the potential impact upon Company operations for future compliance.

Findings identified in all summaries issued to the Company throughout the Examination process are included in this Examination Report; however, in some instances, the content of multiple summaries may be combined into a single report section.

Throughout the course of the Examination, Company officials were provided status memoranda or summaries, which reference specific policy numbers with citations to each section of law violated. Additional information was requested to clarify apparent violations. Multiple conference calls, status meetings, and an exit conference were conducted with Company officials to discuss the various types of violations identified during the Examination and to review written summaries provided for the violations that the examiners identified.

The courtesy and cooperation extended by the officers and employees of the Company during the Examination is acknowledged.

The following examiners participated in this examination and in preparation of this Examination Report.

Paul Towsen, MCM, Market Conduct Division Chief
Pennsylvania Insurance Department

Robert Panah, CFE, CISA, MCM, FLMI
Contract Examination Manager

Sarah Bridendall, CFE, CISA, CIE, ALMI, AMCM, ACS, CICS, AIRC, CCP,
MHP, HCAFA, FAHM, ARA
Contract Examiner-In-Charge

Raymond K. Conover, MCM, ARE, FLMI
Contract Market Conduct Examiner

David Kaehr, CLU, ChFC, MCM
Contract Market Conduct Examiner

Karen Chleborad, ASA
Contract Market Conduct Examiner

II. SCOPE OF EXAMINATION

The Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§ 323.3 and 323.4) of the Insurance Department Act and covered the examination period January 1, 2023, through March 31, 2024, unless otherwise noted. The purpose of the Examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The Examination focused on the Company's policies, procedures and processes in the following areas: Complaints, Underwriting, Data Integrity and Underwriting Practices and Procedures. The lines of business examined included property insurance for Homeowner, Dwelling Fire, Tenant Homeowner, Condo Homeowner and Mobile Homeowner policies.

Examiners requested that the Company identify the universe of files for: Consumer Complaints, Pennsylvania Insurance Department Complaints, Non-renewals, 60-day cancellations, Mid-term cancellations, Rescissions and Declinations. Based on the universe sizes identified, random sampling was utilized to select files to review for analysis.

For control purposes, some of the review segments identified in this Examination Report may be broken down into various sub-categories by line of insurance or Company administration. These specific sub-categories if not reflected individually in the Examination Report, are included, and grouped within the respective categories of the Examination Report. All reviews conducted throughout the Examination included consideration of Company responses to examiner requests pursuant to 40 P.S. §§ 323.3 and 323.4. While these statute and regulation sections are included in all reviews completed during the Examination, the Examination Report only notes where examiners found a violation of these sections in a particular sub-category, such as incomplete file documentation or incorrect information in response to the requests.

III. COMPANY HISTORY

The Company's articles of incorporation were approved by the Attorney General of Michigan on May 20, 1952, and a certificate of authority was issued by DIFS on June 12, 1952, authorizing the Company to transact any and all kinds of insurance permitted under provisions of Section 1, Chapter 1 of Act 256 of the Public Acts of 1917. In 1963 the articles of incorporation were amended to permit the Company to operate under provisions of Chapter 6 of the Michigan Insurance Code. The Company is authorized to write the following kinds of insurance as defined in Chapter 6 of the Insurance Code: disability, property, marine, auto, casualty and surety.

In October 1999 Spartan Acquisition Company, a wholly owned subsidiary of Farmers Insurance Exchange (FIE), Fire Insurance Exchange (FIREIE), and Truck Insurance Exchange (TIE) (known collectively as the Exchanges), entered into an agreement to acquire Foremost Corporation of America (FCOA). The Exchanges are organized under the laws of California and are managed by attorneys-in-fact. FCOA was an insurance holding company based in Caledonia Township, Michigan, which was the Company's parent. In March 2000 the acquisition was finalized.

The reorganization was effectuated through the merger of FCOA with and into FCOA, LLC, a subsidiary of the Company. Subsequent to the merger, FCOA ceased to exist as a separate entity. All outstanding common stock shares of the Company were then retired, and new shares were issued to the Exchanges. As a result of the reorganization and merger, the Company received a non-monetary surplus contribution of \$52.4 million from the Exchanges. All of the property and casualty insurance companies within the Foremost Insurance Group are direct subsidiaries or affiliates of the Company, which is the primary property and casualty company in the group.

IV. UNDERWRITING

A. Personal Property

1. Nonrenewals

A nonrenewal is a policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the nonrenewal notice.

From the universe of 2,894 nonrenewals, a sample of 306 policies were selected for review. A total of 12 violations were identified in 10 files, resulting in an error ratio of 3%.

The following findings were made:

4 Violations 40 P.S. § 1171.5(a)(9) – Unfair methods of competition and unfair or deceptive acts or practices defined.

(a) “Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means. (9) Cancelling any policy of insurance covering owner occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued. The Company used an invalid reason for cancellation for the four (4) files noted.

8 Violations: 40 P.S. § 323.3(a) – Authority, scope and scheduling of examinations.

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The Company failed to have proof in the file to indicate the insured requested the cancellation for the eight (8) files noted.

2. Mid-Term Cancellations

A mid-term cancellation is any policy that terminates at any time other than the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the cancellation notice.

From the universe of 701 property policies cancelled mid-term, 213 files were selected for review. A total of 23 violations were identified in 23 files resulting in an error ratio of 10.8%.

23 Violations: 40 P.S. § 323.3(a) – Authority, scope and scheduling of examinations.

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or

person and ascertain whether the company or person has complied with the laws of this Commonwealth. The Company failed to have proof in the file to indicate the insured requested the cancellation for the 23 files noted.

3. 60-day Cancellations

A 60-day cancellation is any policy, which is cancelled within the first 60 days of the inception of the policy.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)], which prohibits an insurer from canceling a policy for discriminatory reasons and Title 31, Pennsylvania Code, Section 59.9(b), which requires an insurer who cancels a policy in the first 60 days to provide at least 30 days' notice of the termination.

From the universe of 1,235 property policies reported as cancelled within the first 60 days of the inception of the policy during the experience period, a sample of 272 files were selected for review. Based on the review, 19 violations on 19 policies were noted, resulting in an error ratio of 7%.

The following findings were made:

19 Violations: 40 P.S. § 323.3(a) – Authority, scope and scheduling of examinations.

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The Company failed to have proof in the file to indicate the insured requested the cancellation for the 19 files noted.

4. Rescissions

A rescission is a cancellation of a policy from its inception after the policy was issued. There were no rescissions reported during the experience period.

5. Declinations

A declination is any application received by the Company that was declined to be written.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5 [40 P.S. §1171.5], which defines unfair methods of competition and unfair or deceptive acts or practices.

From the universe of 781 property policy declinations during the experience period, a sample of 245 files were selected for review. Based on the review, 1 violation from 1 file was noted, resulting in an error ratio of 0.41%.

1 Violation: 40 P.S. § 323.3(a) – Authority, scope and scheduling of examinations.

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The Company failed to provide a declination notice for the file noted.

V. COMPLAINTS

The Examiners requested documentation relating to Consumer Complaints and Pennsylvania Insurance Department Complaints. Unless noted, all documents identified in the universe provided by the Company were requested, received and reviewed by the examiners. In the event the initial documents provided by the Company did not provide enough information, Examiners issued information requests which resulted in additional documents that were included in the review. Documents provided pursuant to Examiner requests under this section were reviewed to ensure compliance with applicable standards, including 40 P.S. § 1171.5 and 31 Pa Code §§ 59.12 and 146.5.

1. Consumer Complaints

The Company was requested to identify all consumer complaints closed during the experience period January 1, 2023, through March 31, 2024, and to provide copies of complaint logs covering the four-year period January 1, 2020, through December 31, 2023.

The experience period non-claim consumer complaints were requested, received and reviewed. The complaint files were requested, received and reviewed. The Company also provided policies and procedures for the handling of complaints, including social media complaints, which were in effect during the examination period. The complaint files and the complaint logs were reviewed for compliance with 31 Pa Code § 59.12 and 40 P.S. § 1171.5(a)(11) Unfair Insurance Practices Act. The Act requires maintenance of a complete record of all complaints received during the preceding four (4) years. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with 31 PA. Code § 146.5(b) and § 146.5(c), Unfair Claims Settlement Practices. The examination discovered no violations.

2. Department of Insurance Complaints

The Company was requested to identify all complaints that were closed during the experience period, January 1, 2023, through March 31, 2024, and to provide copies of complaint logs covering the four-year period January 1, 2020, through December 31, 2023. Identified complaints closed during the experience period were requested and reviewed. The Company also provided policies and procedures for complaint handling, including social media complaints which were in effect during the examination period. The Examiners reviewed the Company's complaint reports and policies and procedures for handling complaints.

The complaint files and the complaint logs were reviewed for compliance with 31 Pa. Code §59.12 and 40 P.S. §1171.5(a)(11) (Unfair Insurance Practices Act). The Act requires maintenance of a complete record of all complaints received during the preceding four (4) years. The record shall indicate the number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with 31 Pa Code § 146.5(b) and § 146.5(c), Unfair Claims Settlement practices. The Examiners discovered no violations.

VI. UNDERWRITING PRACTICES AND PROCEDURES

As part of the Examination, the Company was requested to provide underwriting manuals, guidelines, bulletins, directives or other forms of communication for underwriting procedures for homeowners, tenant, condominium, manufactured homes and dwelling fire lines of business. The purpose of this review was to identify inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation or unusual in nature. There were no violations noted.

VII. DATA Integrity

As part of the examination the Company was sent a preliminary examination packet in accordance with the NAIC uniformity standards and provided specific information relative to the Examination. The purpose of the packet was to provide certain basic examination information, identify preliminary requirements and to provide specific requirements for requested data call information. Once the Company provided all requested information and data contained within the data call, the Examiners reviewed and validated the data to ensure its accuracy and completeness to determine compliance with the Insurance Department Act of 1921, Section 904(b) (40 P.S. § 323.3(a).

The data integrity issue of each section of review is identified below.

60 Day Cancellations

Situation: As the examiners reviewed the 60-Day Cancellation files of the exam, it was noted not all 272 files selected for review were 60-Day Cancellations.

Finding: Of the 272 60-Day Cancellation files reviewed, 14 files were identified as midterm cancellations.

Declinations

Situation: As the examiners reviewed the declination files of the exam, it was noted not all 245 files selected for review were declinations.

Finding: Of the 245 declination files reviewed, 1 file was determined to not be a declination.

General Violation - 40 P.S. § 323.3(a) – Authority, scope, and scheduling of examinations.

- (a) Every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth.

VIII. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary due to the number, nature or severity of violations noted in the Examination Report.

1. The Company must ensure underwriting findings are supported with a valid reason for cancellation in compliance with its underwriting practices and 40 P.S. §1171.5(a)(9).
2. The Company must maintain the documentation for the insured requests to cancel their policies in accordance with 40 P.S. § 323.3(a).
3. The Company must ensure that its data is accurately classified in accordance with the requirements of 40 P.S. § 323.3(a).

IX. COMPANY RESPONSE

IX. Company Response

On behalf of Foremost Insurance Company Grand Rapids, Michigan NAIC # 11185 (hereafter "Company"), please allow this letter to serve as our response to the Report of Examination which was received with your cover letter dated March 20, 2025.

We respectfully submit our responses in the order appearing in the Report under VIII. Recommendations.

1. **The Company must ensure underwriting findings are supported with a valid reason for cancellation in compliance with its underwriting practices and 40 P.S. §1171.5(a)(9).**

Company Response:

The Company acknowledges the Department's recommendation. The findings were shared with the Underwriting department on February 24th, 26th and 28th, and additional training was provided.

2. **The Company must maintain the documentation for the insured requests to cancel their policies in accordance with 40 P.S. § 323.3(a).**

Company Response:

The Company acknowledges the department's recommendation and have reminded agents writing business in Pennsylvania of the requirement to retain in their office a signed customer request to cancel their policy in accordance with our Underwriting Guidelines.

3. **The Company must ensure that its data is accurately classified in accordance with the requirements of 40 P.S. § 323.3(a).**

Company Response:

The Company acknowledges the Department's recommendation. The Company will review our established processes, procedures and internal data controls to enhance the accuracy in identification of records for future data requests and provide training to staff where needed.