



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF

**BRICKSTREET MUTUAL
INSURANCE COMPANY**
CHARLESTON, WV

As of: February 3, 2022
Issued: February 10, 2022

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



PENNSYLVANIA INSURANCE DEPARTMENT
EXAMINATION VERIFICATION

I, Sheri Kenney, Examiner in Charge from
(Name of Examiner) (Title of Examiner)

Regulatory Insurance Advisors, LLC certify that I was the Examiner-In-Charge of the Report of
(Name of Vendor/Department)

Examination of BrickStreet Mutual Insurance Company made as of 02/03/2022.
(Name of Examined Company) (Date)

The last date of examination file review was 11/11/2021 and the written Report
(Date)

of Examination was reviewed and accepted by the Paul Towsen Chief, Property & Casualty Division
(Chief of Market Conduct Examiner)

on 02/01/2022.
(Date)

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.

Sheri Kenney, CFE, MCM
(Examiner-in Charge)

Regulatory Insurance Advisors, LLC
(Name of Vendor/Department)

5100 N 27th Street, Suite A02 #308, Lincoln, NE 68521
(Address of Vendor/Department)

Sheri L Kenney Digitally signed by Sheri L Kenney
Date: 2022.02.03 07:51:53 -07'00'
(Examiner in Charge Signature)

02/03/2022
(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.

BRICKSTREET MUTUAL INSURANCE COMPANY
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this __3rd__ day of _September, 2021, 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., Acting 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.



A handwritten signature in blue ink that reads "Jessica K. Altman". The signature is written in a cursive style and is positioned above a horizontal line.

Jessica K. Altman
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
BRICKSTREET MUTUAL	:	
INSURANCE COMPANY	:	None present
400 Quarrier Street	:	
Charleston, WV 25301	:	
	:	
	:	
	:	
	:	
	:	
	:	
Respondent.	:	Docket No. MC22-02-013

CONSENT ORDER

AND NOW, this 10th day of February, 2022, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. §101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter and agrees that this Consent Order shall have the full force and effect of an order

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 Brickstreet Mutual Insurance Company, and maintains its address at 400 Quarrier Street, Charleston, WV 25301.
- (b) A market conduct re-examination of Respondent was conducted by the Insurance Department covering the experience period from January 1, 2020 through March 31, 2021.
- (c) On February 3, 2022 the Insurance Department issued a Market Conduct Re-Examination Report to Respondent.
- (d) A response to the Re-Examination Report was provided by Respondent on February 7, 2022.
- (e) The Market Conduct Re-Examination of Respondent revealed there were no violations present.

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.

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 file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.

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.

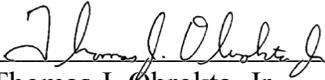
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

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.

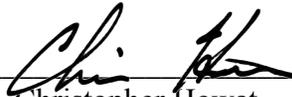
11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained

herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: BRICKSTREET MUTUAL INSURANCE
COMPANY
Respondent



Thomas J. Obrokta, Jr.
President and Chief Executive Officer



J. Christopher Howat
Executive Vice President, Treasurer and
Chief Financial Officer



DAVID BUONO
Acting Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Examination of Brickstreet Mutual Insurance Company, hereinafter referred to as “Company”, was conducted offsite by the independent firm Regulatory Insurance Advisors, LLC (RIA) for the Pennsylvania Insurance Department (PID) beginning April 16, 2021. There was no onsite portion of the exam.

Pennsylvania Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. However, the Examination Report may include management recommendations addressing areas of concern noted by Examiners, but for which no statutory violation was identified. This enables Company management to review those areas of concern in order to determine the potential impact upon Company operations or future compliance. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties.

In certain areas of review listed in this Report, the examiners may refer to “error ratio.” This error ratio is calculated by dividing the number of policies with violations by the total number of policies reviewed. For example, if 100 policies are reviewed and it is determined that there are 20 violations on 10 policies, the error ratio would be 10%.

Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated if there were any. There were no violations for this Company. An exit conference which is used to discuss the various types of violations identified during the examination was declined by the Company as there were no violations found.

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

Sheri Kenney, CFE, MCM
Regulatory Insurance Advisors, LLC
Examiner in Charge

Cara Phillips, AIE, FLMI, MCM
Regulatory Insurance Advisors, LLC
Senior Examiner

Cheryl Cole, AIE, MCM, LUTCF, FLMI
Regulatory Insurance Advisors, LLC
Senior Examiner

Mark Hooker, MCM
Regulatory Insurance Advisors, LLC
Senior Examiner

Benjamin Darnell, MCM
Regulatory Insurance Advisors, LLC
Senior Examiner

Nikki Pedersen, AIC
Regulatory Insurance Advisors, LLC
Senior Examiner

Paul Towsen, MCM
Market Conduct Division Chief
Pennsylvania Insurance Department

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Brickstreet Mutual Insurance Company, remotely. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act of 1921 and covered the experience period of January 1, 2019, through March 31, 2021, unless otherwise noted. The purpose of the examination was to determine the Company's compliance with Pennsylvania insurance laws and regulations. AlleghenyPoint Insurance Company, is a subsidiary of Brickstreet Mutual Insurance Company. Brickstreet Mutual Insurance Company manages AlleghenyPoint pursuant to a management agreement and therefore will be mentioned in this report.

On July 26, 2019 the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania issued Consent Order #CO19-03-007 noting the following violations:

1. Pursuant to 77 P.S. § 1035.4(a)(1) workers' compensation insurance rates may not be excessive or inadequate; or unfairly discriminatory.
2. Pursuant to 77 P.S. § 1035.4(a)(1) charging of excessive rates for the operations of AlleghenyPoint (the "AlleghenyPoint Rate-Setting Operations").
3. Pursuant to 77 P.S. § 1035.7(c), every workers' compensation insurer is required to record and report its workers' compensation experience to a rating organization as set forth in the rating organization's uniform statistical plan.
4. Failure to record and report AlleghenyPoint and Highmark Novation Reporting Operations workers' compensation experience to a rating organization as set forth in the rating organizations' uniform statistical plan.

As a result of the aforementioned violations the Company was subject to the following actions to be taken (summarized):

1. The Company must conduct a review of internal controls, operations, and business practices with respect to the AlleghenyPoint Rate-Setting operations and business practices and the AlleghenyPoint and Highmark Novation Reporting Operations to determine necessary changes to the Company's operations in order to comply with Pennsylvania law. The review must adhere to the following:
 - a. Must be conducted by a third-party approved by the Pennsylvania Insurance Department (PID),
 - b. Cost and expenses of review must be paid by the Company,
 - c. Report produced by the review must be submitted to the PID within 10 days of receipt,
 - d. The Company must adopt recommendations contained in the report
2. Within twenty-four (24) months of the date of the CO, the PID shall initiate an examination of the Company.

Noting Consent Order conditions as well as Work Order directives issued by the PID, the examination focused on Company operations in the following areas:

1. Actuarial Oversight and Internal Controls
2. Complaints
3. Rating Practices
4. Premium Audits

III. COMPANY HISTORY

The Company was incorporated on March 9, 2005 in accordance with Senate Bill 1004 as the West Virginia Employers' Mutual Insurance Company. The Company was formed as a mutual company owned by its policyholders and commenced issuing new business as West Virginia's first private workers' compensation carrier on January 1, 2006.

The Company adopted BrickStreet Mutual Insurance Company as its trade name effective September 2, 2005, and subsequently changed its legal name effective March 18, 2010.

BrickStreet has four (4) wholly owned subsidiaries: AlleghenyPoint Insurance Company, NorthStone Insurance Company, PinnaclePoint Insurance Company, and SummitPoint Insurance Company.

In October 2016, BrickStreet announced the intent to affiliate with Motorists Mutual Insurance Company (Motorists Mutual or MMI), an Ohio domiciled, mutual insurance company, whereby MMI became the ultimate controlling parent of BrickStreet and its subsidiaries. Approval from all necessary regulatory agencies to do so was granted six (6) months later. This group of companies was referred to as Motorists Insurance Group (MIG).

In July of 2019, Motorists Insurance Group and BrickStreet announced a change in the group name to Encova Mutual Insurance Group (EMIG).

On January 1, 2021, Encova Mutual Insurance Group, Inc., was formed as part of the mutual insurance holding company reorganization by and among, Motorists Mutual Insurance Company, BrickStreet Mutual Insurance Company, Motorists Commercial Insurance Company, Wilson Mutual Insurance Company, Iowa Mutual Insurance

Company and Phenix Mutual Fire Insurance Company. As part of the reorganization, EMIG is the parent company of the Group and it owns 100% of Encova Holdings, Inc., which owns 100% of Motorists Mutual Insurance Company, BrickStreet Mutual Insurance Company, Motorists Commercial Mutual Insurance Company, Wilson Mutual Insurance Company, Iowa Mutual Insurance Company and Phenix Mutual Fire Insurance Company. Each of the aforementioned mutuals were converted to stock companies as part of the mutual holding company reorganization.

LICENSING

BrickStreet Mutual Insurance Company is licensed to write Workers' Compensations Insurance in 25 states, including the District of Columbia. The Company's 2020 annual statement reflects Direct Written Premium of all lines of business in the Commonwealth of Pennsylvania as \$21,153,267.

IV. Actuarial Oversight and Internal Controls

Pursuant to Consent Order #CO19-03-007 the Company underwent an independent Audit by Johnson Lambert LLP to review control processes in place for the business sections of the Company responsible for:

- The gathering of data used in the preparation of loss reports,
- Review and approval of loss report accuracy, and
- Final submission to the Pennsylvania Compensation Rating Bureau

Examiners requested copies of all procedures and controls in place for the outlined business sections and additionally utilized the independent, *Workers Compensation Financial Call Assessment in Response to and in Conformance with Pennsylvania Department of Insurance Consent Order CO19-03-007 dated July 29, 2019*, prepared by Johnson Lambert LLP and submitted to the PID to focus our review. The independent report was initially issued on February 28, 2020 with recommendation that the Company develop procedures to accurately complete PCRB Call Reports. The Company took this recommendation and developed the appropriate processes and controls. On March 5, 2020 the report was reissued indicating completion of these processes and controls. These were included in the documentation provided to Examiners for review.

The examiners requested evidentiary evidence of processes that were updated or incorporated based on the Johnson & Lambert LLP findings. In response to the request, the Company provided four process documents as well as numerous evidentiary documents to show compliance with noted recommendations. In accordance with the requirements of the examination, all documents were reviewed to ensure compliance with 40 P.S. § 1171.5; (Unfair or deceptive acts), 31 Pa. Code Ch. 146; (Unfair Insurance Practices), as well as recommendations from the report noted above.

The examiners reviewed all documentation provided and compared these to the recommendations outlined in the Johnson Lambert LLP 2019 report. Through the review, the examiners determined that the Company appears to have adequate processes and controls in place for the gathering, reviewing and approval of loss report accuracy, and final submission of loss reporting to the PCRB.

There were no violations noted.

V. Complaints

The Company was asked to provide a record of all complaints which it received during the experience period of January 1, 2019, through March 31, 2021. Additionally, the Company was asked to provide all processes and procedures in place regarding:

- a. Intake of Complaints,
- b. Complaint log/register; and
- c. Policies and procedures in place for the tracking and finalization of the Complaint process

Complaint logs were reviewed to verify compliance with Unfair Insurance Practices Act (40 §P.S. 1171.1 - 1171.5). The Company's complaint log documented zero (0) complaints received within the experience period.

Intake:

The Company provided copies of processes and procedures in place for the initial intake of complaints. Examiners performed a formal review of those processes and procedures and determined that no issues or concerns were identified.

Complaint Log/Register:

The Company noted that for the examination period January 1, 2019, through March 31, 2021, the Company had no complaints. Examiners compared this log to PID records and noted no variance. The examiners determined that no issues or concerns were identified.

Complaint Finalization:

The Company provided copies of processes and procedures in place for the tracking and finalization of the Complaint process. Examiners performed a formal review of those processes and procedures and determined that no issues or concerns were identified.

There were no violations noted.

VI. Rating Practices

In response to the data request the Company was asked to provide a record of all control processes in place for the business sections of the Company responsible for:

- Underwriting and Rating area(s),
- Education and Training, and
- Submissions and Approvals to and from the Pennsylvania Compensation Rating Bureau (PCRB)

The Examiners gathered documentation consisting of rating manuals, processes in place for the underwriting and rating of new and renewal policies, and new business applications utilized by the Company, to determine if the Company has adequate processes in place for the underwriting and rating of policies.

The Examiners gathered documentation consisting of existing policy historical documentation to determine adherence to Company processes and rating manuals in place during the Examination period. Documentation included:

- In force policy listing,
- Rate consent/approval notifications received from the PCRB
- Correspondence between policyholders and Company

On May 1, 2020 the PCRB issued Bulletin No. 309 – Basic Manual Rules and Statistical Plan Rules. This bulletin permitted assignment of Classification 953 (clerical) payroll without a permanent job reassignment due to COVID-19 Pennsylvania stay-at-home orders, this classification was not required to be applied mid-term but at final audit of policies. As part of the Company Market Conduct Examination and in conformance with

the Pennsylvania Department of Insurance Consent Order CO19-03-007 dated July 29, 2019, Examiners identified 11 policies that qualified for the application of Bulletin No. 309. Of these 11 policies, 6 had period end, final audits completed and were included in the Examination detailed review.

In accordance with the requirements of the examination, all documents were reviewed to ensure compliance with 40 P.S. § 1171.5; (Unfair or deceptive acts), 31 Pa. Code Ch. 146; (Unfair Insurance Practices), as well as Pennsylvania Department of Insurance Consent Order CO19-03-007 dated July 29, 2019.

The Examiners reviewed all documentation provided and compared to the Pennsylvania Department of Insurance Consent Order CO19-03-007 dated July 29, 2019. Through review, the examiners determined that the Company appears to have adequate processes and controls in place for the underwriting and rating of new and existing policies.

There were no violations noted.

VII. Premium Audits

In response to the data request the Company was asked to provide a comprehensive listing of all payroll audits and period end, final audits performed by the Company for the January 1, 2019 – March 31, 2021, period.

In response to the Data Call, Examiners were provided a comprehensive data run for all in force policies for the Examination period which included records for all five companies being reviewed, and some duplicate records for debits/credits to policies. Examiners parsed the data into individual companies and then to policies with completed final audits.

The following table provides a breakdown for the Company of data received, data identified as belonging to the Company, and final sample identified for review.

Total Records From Initial Comprehensive Data Run	Policies Identified as BrickStreet	Policies With Final Audits	Policies Identified As Utilizing Classification Code 953 Per Bulletin 309 (All Identified Included in Sample)	Sample	% of Policies With Final Audits
15,106	3,344	1,702	6	150	9%

On May 1, 2020 the PCRB issued Bulletin No. 309 – Basic Manual Rules and Statistical Plan Rules. This bulletin permitted assignment of Classification 953 (clerical) payroll without a permanent job reassignment due to COVID-19 Pennsylvania stay-at-home orders. Per No. 309 classification of 953 payroll was not required to be applied mid-term but at final audit of policies.

Examiners were provided access to Company systems as well as copies of all documentation utilized by the Company to perform period end, final audits.

The Examiners reviewed final audit documentation received in pdf form as well as documentation accessed through the Company's system, for the following key components:

- Application process
- Compliance with Company underwriting guidelines
- Compliance with Pennsylvania underwriting statutes and regulations
- Application of classification codes – specifically the application of 953 classification due to Pennsylvania stay at home orders for the 2020 period as detailed below
- Appropriate use of scheduled debits and credits
- Appropriate maintenance of all correspondence regarding the policy
- Timeliness of the completion of the final audit

In accordance with the requirements of the examination, all documents were reviewed to ensure compliance with 40 P.S. § 1171.5; (Unfair or deceptive acts), 31 Pa. Code Ch. 146; (Unfair Insurance Practices), as well as Pennsylvania Department of Insurance Consent Order CO19-03-007 dated July 29, 2019.

The Examiners reviewed all documentation provided and compared to the requirements of the Pennsylvania Department of Insurance Consent Order CO19-03-007 dated July 29, 2019. Through review, examiners noted no issues of non-compliance with Company writing and underwriting guidelines or Pennsylvania underwriting statutes and regulations.

There were no violations noted.

VIII. RECOMMENDATIONS

The Examination resulted in no Recommendations.

IX. COMPANY RESPONSE



471 E. Broad St.
Columbus, OH 43215
encova.com

February 7, 2022

VIA EMAIL: ptowsen@pa.gov

Paul E. Townsen III, MCM
Chief, Property & Casualty Division
Pennsylvania Insurance Department
Bureau of Market Actions
1321 Strawberry Square
Harrisburg, PA 17120

**RE: Response to Initial Reports with Cover Letters dated February 3, 2022
Market Conduct Examinations Warrant Numbers:
21-M36-009, 21-M36-010, 21-M36-011, 21-M36-012 & 21-M36-013**

Dear Mr. Townsen:

We acknowledge receipt of your Initial Reports and Cover Letters for our wholly-owned subsidiary, BrickStreet Mutual Insurance Company (NAIC# 12372), and its wholly owned subsidiaries, AlleghenyPoint Insurance Company (NAIC# 13016), NorthStone Insurance Company (NAIC# 13045), SummitPoint Insurance Company (NAIC# 15136), and PinnaclePoint Insurance Company (NAIC# 15137). In accordance with the instructions outlined in your February 3, 2022 email "*Initial Exam Reports for the Encova Group Workers Compensation MCE*", we thank you for allowing us to provide one response and accept your offer to attach the same response to all 5 reports. We acknowledge the next steps you have outlined.

IX. Company Response:

We agree with the reports, acknowledge that there were no violations noted or recommendations made, and offer no additional comments.

Sincerely,

Dr. Martin (Skip) J. Langlois, Jr.
Vice President and Chief Audit Executive

cc: Holly Blanchard, President, Regulatory Insurance Advisors, LLC
William "Bill" J. McGee, Esq., Senior Vice President and Chief Risk and
Compliance Officer
James L. Aslinger, Assistant Vice President Internal Audit