



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

January 14, 2016

Mr. W. Shaun Jackson, President
American Alliance Casualty Co.
9600 Bryn Mawr, Suite 275
Rosemont, IL 60018

Re: American Alliance Casualty Company, NAIC 13752
Market Conduct Examination Report Closing Letter

Dear Mr. Jackson:

The Department has reviewed your Company's proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Jack Engle".

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington- 5th Floor
Springfield, IL 62767
217-558-1058
E-mail: Jack.Engle@Illinois.gov

American Alliance Casualty Company

Examination Report

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: July 21, 2014 through January 05, 2015

EXAMINATION OF: American Alliance Casualty Company
NAIC Number: 13752

LOCATION OF EXAMINATION: 9600 West Bryn Mawr, Suite 275
Rosemont, Illinois 60018

320 West Washington Street
Springfield, Illinois 62767

PERIOD COVERED BY EXAMINATION: March 1, 2013 through
February 28, 2014

EXAMINERS: Aubrey Powell
Stephen Zellich
Roger O. Henschen
Examiner-in-Charge

INDEX

	Page
I. SUMMARY	1
II. BACKGROUND	4
III. METHODOLOGY	5
IV. SELECTION OF SAMPLES	6
V. FINDINGS	7
A. Risk Selection	
1. Private Passenger Auto Cancellations	
2. Private Passenger Auto Nonrenewals	
3. Private Passenger Auto Rescissions	
4. Producer Terminations	
B. Underwriting	
1. Private Passenger Auto New Business	
2. Producer Licensing	
C. Claims	
1. Private Passenger Auto First Party Median & Paid	
2. Private Passenger Auto First Party Closed Without Payment	
3. Private Passenger Auto Third Party Median & Paid	
4. Private Passenger Auto Third Party Closed Without Payment	
5. Private Passenger Auto Total Losses – First Party	
6. Private Passenger Auto Subrogation	
7. Arbitration	
D. Complaints	
1. Department of Insurance Complaints	
2. Consumer Complaints	
VI. INTERRELATED and ADDITIONAL FINDINGS	13
VII. TECHNICAL APPENDICES	14

I. SUMMARY

A comprehensive market conduct examination of American Alliance Casualty Company was performed to determine compliance with Illinois Statutes and the Illinois Administrative Code.

The following represent general findings, however, specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS						
Crit #	Statute/Rule	Description of Violations	Population	Files Reviewed	# of Violations	Error %
1	215 ILCS 5/143.14	Auto Cancels: no proof of mailing	4,446	114	3	2.63
2	215 ILCS 5/143.20	Auto Cancels: fail to notify insured of eligibility of Ill. Auto Ins. Plan	4,446	114	111	97.37
3	215 ILCS 5/143.15	Auto Cancels, no 30 days notice	4,446	114	4	3.51
4	215 ILCS 5/143.19	Auto Cancels: not one of the reasons to terminate policy in effect 60 days	4,446	114	2	1.75
5	215 ILCS 5/143.17(a)	Auto Nonrenewals: no 30 days notice	596	99	1	1.01
7	215 ILCS 5/154	Rescissions: no evidence of misrepresentation or intent to deceive	38	38	3	7.89
8	215 ILCS 5/141.02(3)	Producer Terminations: no proof of mailing and no notice or evidence of a signed mutual agreement	14	14	4	28.57
9	50 Ill. Adm. Code 919.80(c)	Total Losses: no Exhibit A sent within 7 days	75	54	21	38.89
11	50 Ill. Adm. Code 919.80(b)(2)	Total Losses: no delay letter within 40 days	75	52	23	44.23
12	50 Ill. Adm. Code 919.80(d)(3)	Total Losses: towing/ storage/fees deductions with no documentation or insured did nothing to cause excessive charges – company made reimbursements of \$4,120.00	75	54	21	38.89

13	50 Ill. Adm. Code 919.80(c)(2)	Total Losses: Not using source correctly that was chosen to determine market value of vehicle – Company made reimbursements of \$13,315.48	75	54	19	35.19
14	215 ILCS 5/132(2)	Auto New Business: company could not provide applications	50,154	125	4	3.20
16	50 Ill. Adm. Code 919.50(a)	Subrogation: return of deductible not in timely manner (30 days)	38	38	5	13.16
17	50 Ill. Adm. Code 919.30(c)	Subrogation: failure to maintain documentation	38	38	1	2.63
18 and 42	50 Ill. Adm. Code 926.40(b)(1)	DOI Complaints: failure to address all issues/concerns in complaint	67	67	12	17.91
20	215 ILCS 5/154.6(c)	DOI Complaints: failing to implement reasonable standards for prompt investigation and prompt settlement of claims – company reimbursed \$4,197.00	67	67	1	1.49
21	50 Ill. Adm. Code 919.80(b)(2)	First Party Median & Paid: no delay letter within 40 days	363	51	31	60.78
22	50 Ill. Adm. Code 919.80(b)(2)	First Party Median & Paid: median in excess of 40 days (49 days)	363	90	49	54.44
23	215 ILCS 5/154.6(f)	DOI Complaints: meritorious complaints, 2013 claims complaint ratio 4.49 per \$1 Million in written premium, industry is .324 per \$1 Million	70 Claims related Complaints in 2013	N/A	N/A	N/A
24	50 Ill. Adm. Code 919.80(d)(3)	First Party Median & Paid: towing/storage/fees deductions with no documentation or insured did nothing to cause excessive charges – company made reimbursements of \$640.00	363	83	8	9.64
26	50 Ill. Adm. Code 919.80(d)(4)(A)(i)	First Party Median & Paid: Betterment taken does not reflect a measurable decrease in market value of vehicle – company reimbursed \$1,388.71	363	83	6	7.23
27	50 Ill. Adm. Code 919.80(b)(3)	Third Party Closed Without Payment: no delay letter within 60 days	1,773	32	29	90.63

28	215 ILCS 5/154.6(b)	Third Party Closed Without Payment: failing to acknowledge pertinent communications with reasonable promptness	1,773	107	14	13.08
30	50 Ill. Adm. Code 919.80(b)(2)	First Party Closed Without Payment: no delay letter within 40 days	601	61	31	50.82
31	215 ILCS 5/154.6(b)	First Party Closed Without Payment: failing to acknowledge pertinent communications with reasonable promptness	601	96	14	14.58
32	215 ILCS 5/154.6(c)	First Party Closed Without Payment: failing to implement reasonable standards for prompt investigation and prompt settlement of claims – company reimbursed \$4,197.00	601	96	17	17.71
34	215 ILCS 5/154.6(c)	Third Party Closed Without Payment: failing to implement reasonable standards for prompt investigation and prompt settlement of claims – company reimbursed \$385.90	1,773	107	39	36.45
35	50 Ill. Adm. Code 919.50(a)(2)	Third Party Closed without Payment claims: no denial letter	1,773	107	2	1.87
36	50 Ill. Adm. Code 919.80(b)(3)	Third Party Median & Paid: no delay letter within 60 days	1,787	35	28	80.00
37	50 Ill. Adm. Code 919.80(b)(3)	Third Party Median & Paid: median in excess of 60 days (126 days)	1,787	111	81	72.97
38	215 ILCS 5/154.6(b)	Third Party Median & Paid: failing to acknowledge pertinent communications with reasonable promptness	1,787	111	33	29.73
39	215 ILCS 5/154.6(c)	Third Party Median & Paid: failing to implement reasonable standards for prompt investigation and prompt settlement of claims – company reimbursed \$4,197.00	1,787	111	48	43.24
40	50 Ill. Adm. Code 919.80(d)(2)	Third Party Median & Paid: Company failed to pay correct rental amount when no evidence third party was told where to rent at company rate and company failed to pay all reasonable costs – company made reimbursements totaling \$1,354.62	1,787	111	7	6.31

41	50 Ill. Adm. Code 919.50(a)	Third Party Median & Paid: Company failed to offer payment in a timely manner, within 30 days	1,787	111	2	1.80
43	50 Ill. Adm. Code 919.80(b)(2) or 50 Ill. Adm. Code 919.80(b)(3)	DOI Complaints: failure to send delay letter within 40 days when part or entirety of complaint referred to delay in resolution	67	67	12	17.91
Int. #1	215 ILCS 5/143.25a	From Interrogatory #1: failure to inform policyholders at renewal of savings if take higher comp or collision deductibles	N/A	N/A	N/A	N/A

II. BACKGROUND

The following company was the subject of the Market Conduct Exam:

AMERICAN ALLIANCE CASUALTY COMPANY

American Alliance Casualty Company (AACC) or (the Company) is a 100% subsidiary of American Alliance Holdings Company, Inc (Parent) and is one of three companies in the holding company group.

AACC commenced underwriting business during April 2010, and is a growing personal automobile liability and physical damage insurance carrier. AACC writes only minimum limit private passenger automobile liability and physical damage coverage in the state of Illinois.

2013 State Page Exhibit – 019

	Direct premiums Written	Direct premiums earned	Direct losses paid	Direct losses incurred
Other private passenger auto liability	14,248,746	14,007,805	4,159,966	8,955,813
Private passenger auto physical damage	1,328,999	2,185,656	929,449	676,267
TOTAL	15,577,745	16,193,461	5,089,415	9,632,080

III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The scope of this market conduct examination was limited to the following general areas:

1. Risk Selection
2. Underwriting
3. Claims
4. Complaints

The review of these categories is accomplished through examination of individual underwriting and claim files, written interrogatories and interviews with Company personnel. Each of these categories is examined for compliance with Department of Insurance rules and regulations and applicable state laws.

The following method was used to obtain the required samples and to assure a statistically sound selection. Surveys were developed from Company generated Excel spreadsheets.

Risk Selection

Cancellations and nonrenewals of existing policyholders were requested on the basis of the effective date of the transaction falling within the period under examination. Cancellations and nonrenewals were reviewed for their compliance with statutory requirements, the accuracy and validity of reasons given, and for any possible discrimination.

Underwriting

The underwriting of new applicants for coverage with the Company was selected based on the inception date of the policy falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, and use of filed forms, for compliance with Company underwriting guidelines and to ensure that the coverage provided was as requested by the applicant.

Claims

Claims were requested based on the settlement occurring or the claim file being closed without payment within the period under examination.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 Article I through XLV) and Part 919 (50 Ill. Adm. Code 919).

Complaints

Complaints were requested based on those received by the Company during the period under examination and were reviewed for completion, accuracy and validity of the complaint based on complaints received by the Department of Insurance during the examination experience period and those received directly from the consumer.

IV. SELECTION OF SAMPLES

A.	Risk Selection	Total <u>Files</u>	# <u>Reviewed</u>	% <u>Reviewed</u>
1.	Private Passenger Auto Cancellations	4,446	114	2.56
2.	Private Passenger Auto Nonrenewals	596	99	16.61
3.	Private Passenger Auto Rescissions	38	38	100.00
4.	Producer Terminations	14	14	100.00
B.	Underwriting			
1.	Private Passenger Auto New Business	50,154	125	2.14
2.	Producer Licensing	125	125	100.00
C.	Claims			
1.	Private Passenger Auto First Party Median & Paid	363	90	24.79
2.	Private Passenger Auto First Party Closed Without Payment	601	96	15.97
3.	Private Passenger Auto Third Party Median & Paid	1787	111	6.21
4.	Private Passenger Auto Third Party Closed Without Payment	1773	107	6.03
5.	Private Passenger Auto Total Losses – First Party	75	54	72.00
6.	Private Passenger Auto Subrogation	38	38	100.00
7.	Arbitration	232	131	56.47
E.	Complaints			
1.	Department of Insurance	67	67	100.00
2.	Consumer Complaints	2	2	100.00

V. FINDINGS

A. Risk Selection

1. Private Passenger Auto Cancellations

In two (2) cancellations, the policy had been in effect for more than 60 days when the notice of cancellation was mailed. After a policy has been effective for 60 days, or if such policy is a renewal policy, the insurer shall not exercise its option to cancel such policy except for one (1) or more of the reasons listed in 215 ILCS 5/143.19. In two (2) files (1.75%), the coverage was canceled for reasons other than those allowed by statute.

One hundred fourteen cancellations were examined. In 111 of those files (97.37%), the Company was in violation of 215 ILCS 5/143.20 for failing to notify the named insured of his eligibility for insurance through the Illinois Automobile Insurance Plan.

One hundred fourteen cancellations were examined. In 4 files (3.51% of the 114), the Company was in violation of 215 ILCS 5/143.15 for failing to provide at least 30 days advance notice of cancellation.

In three (3) cancellations (2.63% of the 114 examined), the Company failed to maintain proof of mailing of the notice of cancellation. The Company was in violation of 215 ILCS 5/143.14.

2. Private Passenger Auto Nonrenewals

In one (1) file (1.01% of the 99 examined), the Company was in violation of 215 ILCS 5/143.17(a) for failing to provide at least 30 days advance notice of nonrenewal. The Company provided 16 days notice.

3. Rescissions

Thirty-eight rescissions were due to misrepresentation. In three (3) of the 38 (7.89%), the Company was criticized for rescinding policies when there was no evidence/proof of any misrepresentation or any intent to deceive on the part of the insured. The Company was in violation of 215 ILCS 5/154.

4. Producer Terminations

Fourteen producers were terminated who had been under contract for more than a year. Four (4) of those producers (28.57%) were terminated in violation of 215 ILCS 5/141.02(3). In three (3) terminations, the Company failed to maintain the proof of mailing and in one (1) termination the Company failed to send a notice or failed to maintain evidence that there was a signed mutual agreement.

B. Underwriting

1. Private Passenger Auto New Business

One hundred twenty-five applications were requested. The Company failed to provide four (4) applications (3.20% of the 125) and was in violation of 215 ILCS 5/132(2).

2. Producer Licensing

There were no criticisms.

C. Claims

1. Private Passenger Auto First Party Median & Paid

The median payment period was 49 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	25	27.78
31-60	28	31.11
61-90	22	24.44
91-180	11	12.22
181-365	4	4.44
<u>over 365</u>	<u>0</u>	<u>0.00</u>
Total	90	100.00

The Company was in violation of 50 Ill. Adm. Code 919.80(b)(2) for having a first party median in excess of 40 calendar days. Forty nine files (54.44% of the 90) exceeded 40 days to become resolved. Seven (7) files in computing the median were total losses and were *not* used in the criticisms below).

Eighty-three files were examined and fifty-one of those files remained unresolved for more than 40 calendar days from the date the loss was reported requiring a reasonable written explanation for the delay to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). The Company failed to do so in 31 of those 51 files (60.78%).

In eight (8) files (9.64% of the 83 examined), the Company took advance charge deductions for towing, storage or related fees with no documentation of why a deduction was taken or there was no evidence the insured's actions caused any excessive charges. The Company was in violation of 50 Ill. Adm. Code 919.80(d)(3) and reimbursed insureds \$640.00.

In six (6) files (7.23% of the 83 examined), the Company took off betterment totaling \$1,388.71 when taking that betterment did not reflect a measurable decrease in the market value of the insured vehicle. The Company was in violation of 50 Ill. Adm. Code 919.80(d)(4)(A)(i). Reimbursements of \$1,388.71 were made.

2. Private Passenger Auto First Party Closed Without Payment

Sixty-one files remained unresolved for more than 40 calendar days from the date the loss was reported, requiring a reasonable written explanation for the delay to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). The Company failed to do so in 31 of those 61 files (50.82%).

In 17 of the 96 files examined (17.71%), the Company was in violation of 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards to promptly investigate and promptly settle the claim.

In 14 files (14.58% of the 96 examined), the Company was in violation of 215 ILCS 5/154.6(b) for failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies.

3. Private Passenger Auto Third Party Median & Paid

One hundred eleven files were used to compute the median. The median payment period was 126 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	12	10.81
31-60	19	17.12
61-90	11	9.91
91-180	22	19.82
181-365	29	26.13
<u>over 365</u>	<u>18</u>	<u>16.22</u>
Total	111	100.00

(When taking out arbitration, litigation and subrogation files, the median was 62 days with 63 files.)

The Company was in violation of 50 Ill. Adm. Code 919.80(b)(3) for having a third party median in excess of 60 calendar days for property damage liability claims.

Thirty-five of the files reviewed remained unresolved for more than 60 days from the date the loss was reported. In twenty-eight of those thirty-five files (80.00%), the Company failed to provide a reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3).

In seven (7) files (6.31% of the 111 reviewed files), the Company failed to reimburse the claimant the correct amount when there was no evidence the Company informed the claimant where to obtain a rental vehicle at their rate or failed to pay the reasonable and necessary costs associated with the rental. The Company was in violation of 50 Ill. Adm. Code 919.80(d)(2). Reimbursements totaling \$1,354.62 were made to the third parties.

In 48 files (43.24% of the 111 examined), the Company was in violation of 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards to promptly investigate and promptly settle the claim.

In 33 files (29.73% of the 111 examined), the Company was in violation of 215 ILCS 5/154.6(b) for failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies.

In two (2) files (1.80% of the 111), the Company failed to offer payment in a timely manner in violation of 50 Ill. Adm. Code 919.50(a).

4. Private Passenger Auto Third Party Closed Without Payment

Of the files reviewed, 32 remained unresolved for more than 60 days from the date of the loss reported. In 29 of those 32 files (90.63%), the Company was cited for failing to send the third party a reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3).

In 39 files (36.45% of the 107 examined), the Company was in violation of 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards to promptly investigate and promptly settle the claim. The Company made a payment of \$385.90 to a third party.

In 14 files (13.08% of the 107 examined), the Company was in violation of 215 ILCS 5/154.6(b) for failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies.

In two (2) files (1.87% of the 107 reviewed files), there was no evidence that a denial letter was sent as required by and outlined in 50 Ill. Adm. Code 919.50(a)(2).

5. Private Passenger Auto First Party Total Losses

In 21 files (38.89% of the 54 reviewed files), the Company took advance charge deductions for towing, storage or related fees with no documentation of why a deduction was taken or there was no evidence the insured's actions caused any excessive charges. The Company was in violation of 50 Ill. Adm. Code 919.80(d)(3). Twenty-one refunds were made totaling \$4,120.00.

Fifty-two of the 54 total losses examined remained unresolved for more than 40 calendar days from the date the loss was reported requiring a reasonable written explanation for the delay to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). The Company failed to do so in 23 instances (44.23% of the 52 reviewed files).

As required by 50 Ill. Adm. Code 919.80(c), the Company is to provide the insured with, at a minimum, the information contained in Exhibit A and provide that information within seven (7) days of the insured vehicle being determined a total loss. The Company was in violation in 21 instances (38.89% of 54 reviewed files).

The Company used CCC to determine the market value of the insured total loss vehicle in 54 of the 54 files examined. The Company may use any of the sources described in 50 Ill. Adm. Code 919.80(c)(2) but whatever source chosen, the Company must use the methodologies of that source. There was evidence that the Company used CCC incorrectly in 19 of the 54 files (35.19%). The Company made reimbursements to insureds totaling \$13,315.48.

6. Private Passenger Auto First Party Subrogation

In five (5) files (13.16% of the 38 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a) for failing to return the insured's deductible in a timely manner, within 30 days.

In one (1) file (2.63% of the 38 examined), the Company was in violation of 50 Ill. Adm. Code 919.30(c) for failing to maintain detailed documentation in each claim file in order to permit reconstruction of the Company's activities relative to the claim file.

D. Complaints

1. Department of Insurance Complaints

The claims complaint ratio for the Company was 4.49 per \$1 million in direct written premiums in the year 2013. For the same period, the IL Private Passenger Automobile Insurance Industry's mean for claims was .324 per \$1 million in direct written premiums. The Company engaged in activities which resulted in a disproportionate number of meritorious complaints received by the Department creating a violation of 215 ILCS 5/154.6(f).

In 23 files, the consumer complained of delays in resolving the claim. In 12 (17.91% of 67 reviewed files), the Company was in violation of 50 Ill. Adm. Code 919.80(b)(2) or 919.80(b)(3) for failing to send the first or third party a reasonable written explanation for the delay or failing to send the explanation in a timely manner.

Sixty-seven complaints were examined. In 12 files (17.91%), the Company was in violation of 50 Ill. Adm. Code 926.40(b)(1). The Company failed to address all of the issues and concerns in the complaint whether the issue was the major or minor issue or concern in the complaint.

In one file (1.49% of the 67 examined), the Company was in violation of 215 ILCS 5/154.6(c) for failing to implement reasonable standards for the prompt investigation and prompt settlement of claims arising under its policies. The Company reimbursed the complainant \$4,197.00.

2. Consumer Complaints

There were no criticisms.

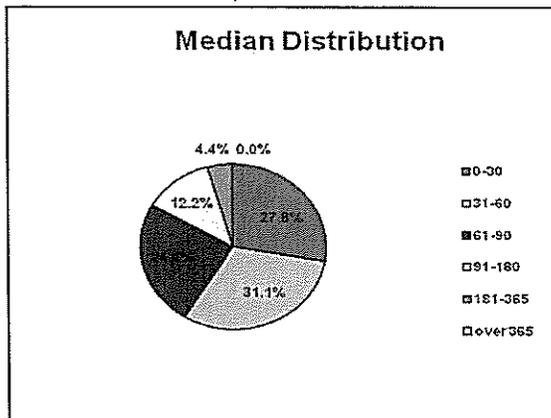
VI. INTERRELATED and ADDITIONAL FINDINGS

1. From the response to Interrogatory #1, the Company was criticized for failing to inform automobile policyholders prior to the first renewal that they could purchase such renewal at a premium savings for collision and comprehensive coverage if higher deductibles were purchased. A 100% error percentage applies for violation of 215 ILCS 5/143.25a.

VII. TECHNICAL APPENDICES

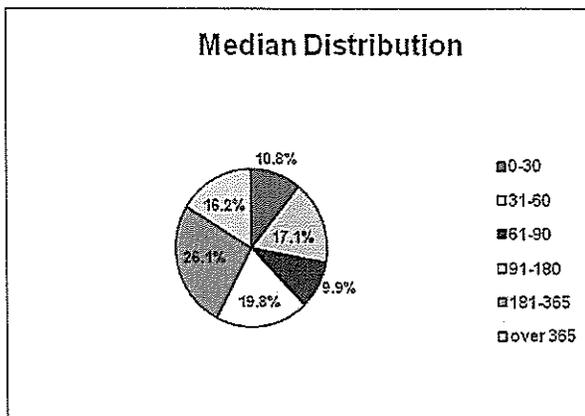
A. Private Passenger Auto First Party Median - 49 days

MEDIAN DISTRIBUTION		
# Days	Number	Percent
0-30	25	27.78%
31-60	28	31.11%
61-90	22	24.44%
91-180	11	12.22%
181-365	4	4.44%
over 365	0	0.00%
Total	90	100.00%



B. Private Passenger Auto Third Party Paid – 126 days

MEDIAN DISTRIBUTION		
# Days	Number	Percent
0-30	12	10.81%
31-60	19	17.12%
61-90	11	9.91%
91-180	22	19.82%
181-365	29	26.13%
over 365	18	16.22%
Total	111	100.00%



STATE OF ILLINOIS)
) ss
COUNTY OF SANGAMON)

Roger O. Henschen, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of American Alliance Casualty Company, (the "Company"), NAIC #13752.

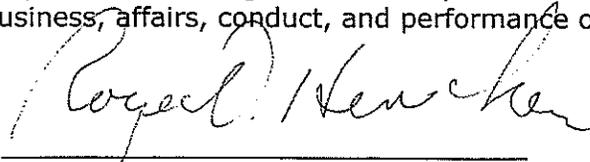
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

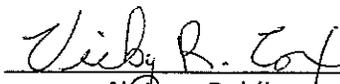
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.



Examiner-In-Charge

Subscribed and sworn to before me
this 26 day of February, 2015.



Notary Public





IN THE MATTER OF:

AMERICAN ALLIANCE CASUALTY COMPANY
9600 WEST BRYN MAWR #275
ROSEMONT, IL 60018

STIPULATION AND CONSENT ORDER

WHEREAS, the Acting Director of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, American Alliance Casualty Company ("Company"), NAIC #13752, is authorized under the insurance laws of this State and by the Acting Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, 407, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, 5/407, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, and 407, 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Acting Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Acting Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Acting Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Acting Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall notify the named insured of his possible eligibility for insurance through the Illinois Automobile Insurance Plan when canceling the auto policy as required by 215 ILCS 5/143.20.
2. Institute and maintain policies and procedures whereby the Company, when terminating producers, shall maintain the proof of mailing of the notice of termination, provide 180 advance notice or maintain a signed mutual agreement as outlined in 215 ILCS 5/141.02(3).
3. Institute and maintain policies and procedures whereby the Company shall pay automobile collision claims within the allowed median of 40 calendar days and provide the insured a reasonable written explanation for the delay when the claim remains unresolved for more than 40 days as outlined in 50 Ill. Adm. Code 919.80(b)(2).
4. Institute and maintain policies and procedures whereby the Company shall not take advance charge deductions when there is no documentation of why the deductions were taken or there is no evidence to indicate that the insured caused any excessive charges as is required by 50 Ill. Adm. Code 919.80(d)(3).
5. Institute and maintain policies and procedures whereby the Company shall adopt and implement reasonable standards for the prompt investigation and settlement of all claims arising under its policies as required by 215 ILCS 5/154.6(c).
6. Institute and maintain policies and procedures whereby the Company shall acknowledge with reasonable promptness pertinent communications with respect to all claims arising under its policies 215 ILCS 5/154.6(b).
7. Institute and maintain policies and procedures whereby the Company shall pay automobile property damage claims within the allowed median of 60 calendar days and provide the third party property damage claimant a reasonable written explanation for the delay when the claim remains unresolved for more than 60 days as outlined by 50 Ill. Adm. Code 919.80(b)(3).

8. Institute and maintain policies and procedures whereby the Company shall affirm or deny liability on claims within a reasonable time and shall offer payment within 30 days after affirmation of liability, if the amount of the claim is determined and not in dispute as required by 50 Ill. Adm. Code 919.50(a).
9. Institute and maintain policies and procedures whereby the Company provides the insured with the right of recourse letter, known as Exhibit "A", within seven (7) days of determination of the total loss as required by 50 Ill. Adm. Code 919.80(c).
10. Institute and maintain policies and procedures whereby the Company addresses all issues and concerns brought up during the complaint handling process as required by 50 Ill. Adm. Code 926.40(b)(1).
11. Institute and maintain policies and procedures whereby the Company informs automobile policyholders, prior to the first renewal, that they could purchase such renewal at a premium savings for collision and comprehensive coverage if higher deductibles are purchased as is required by 215 ILCS 5/143.25a.
12. Submit to the Acting Director of Insurance, State of Illinois, proof of compliance with the above eleven (11) Orders within 30 days of receipt of these Orders.
13. Pay to the Acting Director of Insurance, State of Illinois, a civil forfeiture of \$60,000.00 payable within 30 days of receipt of these Orders.

NOTHING contained herein shall prohibit the Acting Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of American Alliance Casualty Company

W.S.J.
Signature

W. SHAWN JACKSON
Name

PRESIDENT
Title

Subscribed and sworn to before me this

16th day of December, 2015

Donna R Love
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 12-17-15

Anne Melissa Dowling
Anne Melissa Dowling
Acting Director