



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

November 14, 2013

Via Certified Mail

*Return receipt requested

William August Hickey, Jr.
President
Universal Casualty Company
150 Pierce Road, 6th Floor
Itasca, IL 60143

RE: Market Conduct Examination of Universal Casualty Company

Dear Mr. Hickey,

A Market Conduct Examination of your company was conducted by authorized examiners designated by the Director of Insurance pursuant to Illinois Insurance Code Sections 132, 401, 402, 403 and 425 and the Stipulation and Consent Order between the Department and Universal Casualty Company signed and dated August 11, 2009. The period covered by the examination was May 1, 2008 through April 30, 2009 for the Benchmark Period. The examination also covered claims reported from May 1, 2009 through December 31, 2009 for the Improvement Period. Please find enclosed a report of the Market Conduct Examination of Universal Casualty Company, and a Stipulation and Consent Order.

As required by Illinois Insurance Code Section 132, the Director must notify the company made the subject of any market conduct examination of the contents of the verified examination report before filing it and making the report public of any matters relating thereto, and must afford the company an opportunity to demand a hearing with reference to the facts and other evidence therein contained. A copy of the examination report is accordingly enclosed with this letter as well as a Stipulation and Consent Agreement. The company may request a hearing within 10 days after receipt of the examination report by giving the Director written notice of the request, together with a statement of its objections. The examination report will generally not be filed until hearing is completed.

Companies that do not demand a formal hearing may submit their rebuttal with respect to any matters in the examination report. The rebuttal will be considered by the Director before the examination report is filed. Please provide any rebuttals, or the signed Stipulation and Consent

122 S. Michigan Ave., 19th Floor
Chicago, Illinois 60603
(312) 814-2420
<http://insurance.illinois.gov>

Order, to the undersigned by close of business, Thursday, December 12, 2013. In the event that the Company elects to sign the Stipulation and Consent Order, please sign and return both copies. The Director will sign both copies and a fully executed copy will be returned to you for your records. Note that the Stipulation and Consent requires payment of a civil forfeiture in the amount of \$100,000 within 30 days of the receipt of the fully executed Stipulation and Consent Order.

Once the report of examination has been filed, the exam report, the company's rebuttal, if any, and corresponding Orders (if applicable) are public documents under the Freedom of Information Act (5 ILCS 140/1 *et al.*) and may be posted on the Department's website. In the event of a formal hearing, the record of the hearing, the Hearing Officer Recommendations and the Director's final Order are also public documents and may be posted on the Department's website. Please contact me if you have any questions. I may be reached at 312-814-5411.

Sincerely,



Mary Jane Adkins
Assistant General Counsel
Illinois Department of Insurance
MaryJane.Adkins@illinois.gov

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/401.5, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Mary Jane Adkins
Assistant General Counsel
Illinois Department of Insurance

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:)
UNIVERSAL CASUALTY COMPANY)
150 Northwest Point Blvd., 2nd Floor)
Elk Grove Village, Illinois 60007)
ATTENTION: Colin Simpson)
President and CEO)
of Kingsway Financial Services, Inc.)
ATTENTION: Scott Wollney)
President of Universal Casualty Company)

STIPULATION AND CONSENT ORDER

WHEREAS, the Director ("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, Universal Casualty Company ("Universal"), a subsidiary company of Kingsway Financial Services, Inc., is a domestic stock, property and casualty insurance company, writing private passenger automobile insurance business in Illinois, Indiana, and Missouri and having authority in Illinois to conduct the types of insurance business defined in Section 4, Class 2(b) of the Illinois Insurance Code ("Code") [215 ILCS 5/4]; and

WHEREAS, the Department completed a Market Conduct Examination of Universal on July 14, 2006 and issued its final revised Market Conduct Examination Report ("Report") on January 14, 2008 criticizing Universal for various claim practice violations of the Code and its

attendant regulations including 215 ILCS 5/154.6(c) for failure to adopt and implement reasonable standards for prompt investigation and settlement of claims; and

WHEREAS, on or about January 30, 2008, Universal entered into the lawful Stipulation and Consent Order ("Consent Order") with the Director whereby Universal agreed to institute and maintain procedures ordered by the Director to remedy the violations identified in the Report, to issue payment for all refund amounts and provide documentation, and to provide proof of compliance with such procedures within 30 days of the Consent Order; and

WHEREAS, since the date of the Consent Order the Department has received at least 436 consumer complaints against Universal, a significant number of which indicate that Universal has failed to adopt and implement reasonable standards for prompt investigation and settlement of claims as required by Section 154.6(c) of the Code [215 ILCS 5/154.6(c)] and Order No. 8 of the Consent Order (the "Violations") thereby giving the Director sufficient cause to believe that Universal had not complied with the terms of the Consent Order; and

WHEREAS, pursuant to Section 401.1 of the Illinois Insurance Code, on July 15, 2009, the Director issued an Order mandating Universal to stop writing new business in the State of Illinois if it could not demonstrate to the Director's satisfaction that it had complied with the January 30, 2008 Consent Order; and

WHEREAS, during a meeting with the Department on July 21, 2009, Universal did not deny violating the prior Consent Order and represented that a number of measures addressing areas of non-compliance have already been put in place such as the implementation of a fast track claim process, assignment of independent appraisers on all first and third party damage claims, the establishment of a coverage specific claims unit, the appointment of a claim practice implementation manager, the establishment of a call back program, utilization of CCC Valuations for total loss claims and new adjuster training in addition to further corrective measures to be implemented in the immediate future; and

WHEREAS, based on Universal's expressed commitment and representations at the July 21, 2009 meeting the Director issued an Order on July 22, 2009 staying the effect of the Order issued on July 15, 2009; and

WHEREAS, pursuant to Section 5/401(d) of the Code (215 ILCS 5/401(d)) the Director has the power to institute such actions or other lawful proceedings as he may deem necessary for the enforcement of the insurance laws of this State; and

WHEREAS, Universal is aware of and understands its various rights, including the right to counsel, notice, hearing and appeal under Section 5/401 and 5/407.2 of the Code (215 ILCS 5/401 and 5/407.2) which are expressly waived; and

WHEREAS, Universal and the Director, for the purpose of superseding Orders issued on July 15, 2009 and July 22, 2009 without the necessity of an administrative hearing, hereby enter into this Stipulation and Consent Order.

NOW THEREFORE, IT IS, agreed by and between Universal and the Director of Insurance as follows:

- I. To stipulate that Universal did not comply with Order No. 8 of the Consent Order issued on January 30, 2008, by not adopting and implementing reasonable standards for prompt investigation and settlement of claims as required by Section 154.6(c) of the Code.
- II. The Department duly commenced a market conduct examination on July 27, 2009 ("Examination") to verify, in addition to conducting a market conduct examination, that corrective measures have and are being implemented by Universal as represented by Universal and to determine whether such measures are satisfactory to the Director in his sole discretion.

NOW THEREFORE, IT IS HEREBY ORDERED by the undersigned Director of the Illinois Department of Insurance, pursuant to Section 401 of the Illinois Insurance Code (215 ILCS 5/401), as follows:

- A. Universal will continue to implement the necessary measures to bring Universal into full compliance with applicable claims handling laws of the State of Illinois.
- B. Universal shall re-open and/or re-adjudicate all claims which are the subject of a consumer complaint received by the Department between January 1, 2008 and the date of this Stipulation and Consent Order. Within 60 days following the date of this Stipulation and Consent Order, Universal shall provide the Department with proof that each claim has been resolved consistent with the Illinois Insurance Code (215 ILCS 5/1 et seq.) and Regulations (50 Ill. Adm. Code).
- C. Universal is levied a civil penalty in the amount of \$200,000, with \$100,000 of that amount to be paid to the Department within 15 days of the date this Order is executed by the Director and the remaining \$100,000 to be payable in the event that the Examination concludes that corrective measures satisfactory to the Director have not been implemented.
- D. This Order supersedes the previous Orders issued on July 15, 2009 and July 22, 2009.

A material violation of the above Stipulation and Consent order shall subject Universal to further administrative action pursuant to Section 5/407.2 of the Illinois Insurance Code (215 ILCS 5/407.2).

Nothing contained herein shall prohibit the Director from taking any and all appropriate action, including but not limited to levying additional forfeitures, should Universal violate any provision of this Stipulation and Consent Order, or should it be found that Universal has violated any provisions of the Illinois Insurance Code (215 ILCS 5/1 et seq.) or Regulations (50 Ill. Adm. Code) other than the Violations.

UNIVERSAL CASUALTY COMPANY

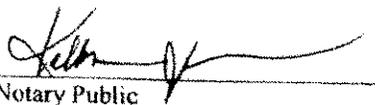


Colin Simpson
President and CEO of Kingsway Financial Services, Inc.
On behalf of Universal Casualty Company

Province of Ontario)

City of Mississauga)

Subscribed and sworn to me before
this 17th day of August, 2009.


Notary Public

UNIVERSAL CASUALTY COMPANY

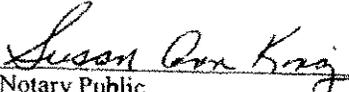


Scott Wollney
President of Universal Casualty Company

State of ILLINOIS)

County of COOK)

Subscribed and sworn to me before
this 11TH day of AUGUST, 2009



Susan Ann King
Notary Public



DEPARTMENT OF INSURANCE
STATE OF ILLINOIS

Date: 8-11-9



Michael T. McRaith
Director

Universal Casualty Company

SPECIAL MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: August 31, 2009 through
April 9, 2010

EXAMINATION OF: Universal Casualty Company,
Domestic Stock

LOCATION OF EXAMINATION: 150 Northwest Point
Elk Grove Village, Illinois 60007

PERIOD COVERED BY
EXAMINATION: *Benchmark Period* - May 1, 2008
through April 30, 2009;
Improvement Period – Claims
reported May 1, 2009 through
December 31, 2009

EXAMINERS: Iris D. Canto
Larry J. Nelson
Roger O. Henschen
Examiner-in-Charge

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I. SUMMARY

1. The Company was criticized under 215 ILCS 5/423(1) and/or in conflict with 215 ILCS 5/143.19 for committing unfair and deceptive acts or practices by canceling policies due to missing information or lack of receipt of certain information when there was no evidence the Company ever requested that information directly from the insured.

A Class Criticism was issued in the Private Passenger Auto Cancellation Survey.

2. The Company was in conflict with 215 ILCS 5/154 for rescinding auto policies during the first policy term due to misrepresentation on the application when the applicant/insured did not sign that application to verify the information was correct. Since there is no proof of misrepresentation, it is an unfair and/or deceptive act or practice to rescind the policies, a violation of 215 ILCS 5/423(1).

A Class Criticism was issued in the Private Passenger Auto Cancellation Survey.

3. The Company was criticized under 215 ILCS 5/143.15 for failing to provide a specific explanation of the reason or reasons for cancellation and/or failing to mail the cancellation notice 30 days in advance, or 10 days in advance for nonpayment of premium, whichever was applicable.

A Class Criticism was issued in the Private Passenger Auto Cancellation Survey.

4. The Company was criticized under 215 ILCS 5/143.17(e) for failing to provide a specific explanation of the reasons for nonrenewal and/or 215 ILCS 5/143.17(a) for failing to maintain proof of mailing of the notice of nonrenewal.

A Class Criticism was issued in the Private Passenger Auto Nonrenewal Survey.

5. The Company was criticized under 215 ILCS 5/423(1) and/or in conflict with 215 ILCS 5/143.19.1 for committing unfair and deceptive acts or practices by nonrenewing policies due to missing information or lack of receipt of certain information when there was no evidence the Company ever requested that information directly from the insured.

A General Trend Criticism was issued in the Private Passenger Auto Nonrenewal Survey.

6. The Company was criticized under 215 ILCS 5/143.19.1 for nonrenewing auto policies after the policy had been effective or renewed 5 or more years for reasons other than listed in the code when providing less than 60 days notice.

A General Trend Criticism was issued in the Private Passenger Auto Nonrenewal Survey.

7. The Company was criticized under 215 ILCS 5/155.17 for failing to have the same bodily injury rates within the city of Chicago.

A Class Criticism was issued in the Private Passenger Auto New Business Survey.

8. The Company was criticized under 215 ILCS 5/423(1) for unfair and deceptive acts or practices due to obtaining driving records at notification of loss instead of at policy issuance which is what is indicated on the filed application.

A Class Criticism was issued in the Private Passenger Auto New Business Survey.

9. The Company was criticized for being in conflict with 50 Ill. Adm. Code 932.40 for failing to supply separate rates for comprehensive coverage in order to verify proper premiums for the anti-theft discount.

A Class Criticism was issued in the Private Passenger Auto New Business Survey.

10. The Company was criticized for being in conflict with 50 Ill. Adm. Code 753.10(a)(1) and/or 50 Ill. Adm. Code 753.10(a)(2) and/or 50 Ill. Adm. Code 753.10(a)(3). The Company failed to file with the Department of Insurance the forms that they utilize.

A Class Criticism was issued in the Private Passenger Auto New Business Survey.

11. The Company was criticized in the Private Passenger Auto New Business Survey for failing to file with the Illinois Department of Insurance the rules and rates utilized. Miscellaneous rating errors (MRE) of four (4) annual undercharges totaling \$179.00 and three (3) annual overcharges totaling \$206.00. The Company was in violation of and in conflict with 50 Ill. Adm. Code 754.10(b)(1) and/or 50 Ill. Adm. Code 754.10(b)(2).

12. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(2) for maintaining a median in excess of 40 calendar days on payment of automobile collision claims. The median was 52 calendar days.

A Class Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

13. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(1) for failing to provide the insured a written explanation of the lower settlement amount or that explanation was not reasonable or when denied, a written explanation was not

sent, denial or, if sent, the written explanation failed to be reasonable and fully explain the reason(s) for the denial. Payments were made to five (5) insureds totaling \$1,975.35.

A Class Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

14. The Company was criticized for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved for more than 40 calendar days as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2).

A Class Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

15. The Company was criticized for being in conflict with 50 Ill. Adm. Code 753.10(a)(1) when issuing payment as a two (2) party check when the verbiage in the policy language indicates the payment is to be to one (1) party. This action is also a Policy Contract Violation for not following the policy language in the contract.

A Class Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

16. The Company was criticized under 50 Ill. Adm. Code 919.50(a) for failing to tender payment within 30 days after affirmation of liability when the amount of the claim was determined and not in dispute and the payee was known.

A General Trend Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

17. The Company was criticized under 50 Ill. Adm. Code 919.30(c) for the claim file failing to contain detailed documentation in order to permit reconstruction of the company's activities relative to the claim.

A General Trend Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

18. The Company was criticized for failing to provide the insured with a reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2).

A Class Criticism was issued in the Private Passenger Auto First Party Closed Without Payment Survey.

19. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(1) for failing to provide an explanation that was *reasonable* when sending a denial letter to the insured and/or failing to include the Availability of the Department of Insurance and/or failing to provide the correct address of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40.

A Class Criticism was issued in the Private Passenger Auto First Party Closed Without Payment Survey.

20. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(3) for maintaining a median in excess of 60 calendar days when making property damage liability payments. The median was 169 calendar days with arbitration, subrogation and litigation files included and 78 calendar days when excluded.

A Class Criticism was issued in the Private Passenger Auto Third Party Median & Paid Survey.

21. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(2) for failing to disclose to the third party claimant where the claimant could obtain a rental vehicle at the rental amount the Company was willing to pay.

A Class Criticism was issued in the Private Passenger Auto Third Party Median & Paid Survey.

22. The Company was criticized for failing to provide the third party with a reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3).

A General Trend Criticism was issued in the Private Passenger Auto Third Party Median & Paid Survey.

23. The Company was criticized under 215 ILCS 5/154.6(d) for failing to effectuate in good faith prompt, fair and equitable settlement of claims when liability was clear and under 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies. Because of their actions and inactions, the Company was in conflict with 215 ILCS 5/154.6(g). The violations resulted in 11 underpayments totaling \$9,699.27 in which reimbursements were made.

A General Trend Criticism was issued in the Private Passenger Auto Third Party Median & Paid Survey.

24. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(2) for failing to disclose to the third party claimant where the claimant could obtain a rental vehicle at the rental amount the Company was willing to pay.

A Class Criticism was issued in the Private Passenger Auto Third Party Closed Without Payment Survey.

25. The Company was criticized for failing to provide the third party with a reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3).

A General Trend Criticism was issued in the Private Passenger Auto Third Party Closed Without Payment Survey.

26. The Company was criticized for failing to provide the third party with a reasonable written explanation of the basis of the denial as required by and as outlined in 50 Ill. Adm. Code 919.50(a)(2).

A General Trend Criticism was issued in the Private Passenger Auto Third Party Closed Without Payment Survey.

27. The Company was criticized under 215 ILCS 5/154.6(d) for failing to effectuate in good faith prompt, fair and equitable settlement of claims when liability was clear and under 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies. Due to their actions and inactions, the Company in conflict with 215 ILCS 5/154.6(g). The violations resulted in 11 underpayments totaling \$15,937.91. The Company has made five (5) payments totaling \$4,380.08. The Company has refused to make the remaining six (6) payments totaling \$11,557.83.

A General Trend Criticism was issued in the Private Passenger Auto Third Party Closed Without Payment Survey.

28. The Company was criticized in the Private Passenger Auto Third Party Closed Without Payment Survey under 215 ILCS 5/154.6(c) for failing to implement reasonable standards for the prompt investigation and settlement of claims as defined in 50 Ill. Adm. Code 919.40 for failing to make a bonafide effort to contact the claimant when liability was reasonably clear and for failing to contact the claimant at all resulting in one (1) underpayment of \$1,428.77. The Company has made payment.

29. The Company was criticized under 50 Ill. Adm. Code 919.60(a) for using verbiage on checks payable to the insured that indicated "final" or "a release" Also the Company used that verbiage on "Regular Proof of Loss" statements.

A Class Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

30. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(3) for taking advance charge deductions from the total loss settlement when there was no evidence the insured caused any excessive charges for storage or towing and the Company failed to itemize each advance charge deduction and maintain in the claim file documentation of the reasons and dollar amounts involved in each deduction, resulting in 17 underpayments totaling \$5,286.00. The Company made reimbursements.

A Class Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

31. The Company was criticized for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved for more than 40 calendar days as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2).

A Class Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

32. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(4)(A)(i) for taking deductions from the total loss settlement for unrelated prior damage when the deductions failed to reflect a measureable decrease in the market value attributable to the poorer condition of, or prior damage to the insured vehicle. The Company made reimbursements. (Combined with Summary Item #33 below, 24 reimbursements were made totaling \$41,284.42)

A Class Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

33. The Company was criticized under 50 Ill. Adm. Code 919.80(c)(2) for failing to use and follow the definitions/methodologies of the source used to determine the market value of the insured total loss vehicle creating underpayments. The Company made reimbursements. (Combined with Summary Item #32 above, 24 reimbursements were made totaling \$41,284.42)

A General Trend Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

34. The Company was criticized under 215 ILCS 5/154.6(r) for sending letters to insureds who experienced a total loss due to a comprehensive claim with verbiage indicating certain information was required by Illinois law when, in fact, there was no law with any such requirement. This is an unfair and deceptive act or practice and a violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4).

A Class Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

35. The Company was criticized for failing to send the informational letter commonly known as the "right of recourse" letter and/or Exhibit A as required by and as outlined in 50 Ill. Adm. Code 919.80(c) and 919.EXHIBIT A Total Loss Automobile Claims. The Company sent the letters more than 7 days after the vehicle was determined a total loss.

A General Trend Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

36. The Company was criticized under 50 Ill. Adm. Code 919.80(c)(3)(A)(i) in failing to reimburse the insured the correct amount of taxes and/or fees when the insured replaced the total loss vehicle creating two (2) underpayments totaling \$421.38. Reimbursements have been made.

A General Trend Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

37. The Company was criticized for failing to respond to a subrogation demand in the Private Passenger Auto First Party Total Loss Survey under 215 ILCS 5/424(4) for unfair and deceptive acts and/or practices that created a \$9,232.46 underpayment to a third party carrier. The Company was criticized for failing to effectuate a prompt, fair and equitable settlement as required by 215 ILCS 5/154.6(d). The Company was criticized in violation of 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards for the prompt investigation of its claims and failing to adopt and implement reasonable standards for the settlement of claims arising under its policies. The Company is in conflict with 215 ILCS 5/154.6(r). The Company has paid the \$9,232.46 to the third party carrier.

38. The Company was criticized under 215 ILCS 5/143.10a for failing to send loss information at the same time as the notice of nonrenewal.

A Class Criticism was issued in the Commercial Auto Nonrenewal Survey.

39. The Company was criticized under 215 ILCS 5/143.17a for failing to provide a specific explanation of the reasons for nonrenewal.

A General Trend Criticism was issued in the Commercial Auto Nonrenewal Survey.

40. The Company was criticized under 215 ILCS 5/143.17a for failing to renew commercial auto policies as required or send a notice of nonrenewal.

A Class Criticism was issued in the Commercial Auto Renewal Survey.

41. The Company was criticized under 215 ILCS 5/154.6(l) for omitting the coverage under which payment was made when making payment to the policyholder.
- A General Trend Criticism was issued in the Commercial Auto First Party Paid Survey.
42. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(1) for failing to send to the insured a written explanation of the basis of the lower offer.
- A General Trend Criticism was issued in the Commercial Auto First Party Paid Survey.
43. The Company was criticized for committing a Policy Contract Violation when taking an incorrect deductible amount resulting in an underpayment of \$500.00. The Company has made reimbursement.
- A General Trend Criticism was issued in the Commercial Auto First Party Paid Survey.
44. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(1) for failing to send the insured a reasonable written explanation of the reason for the denial or failing to send that reasonable explanation within 30 days after liability was determined.
- A Class Criticism was issued in the Commercial Auto First Party Closed Without Payment Survey.
45. The Company was criticized under 50 Ill. Adm. Code 919.30(c) for failing to contain detailed documentation in the claim file in order to permit reconstruction of the company's activities relative to the claim.
- A General Trend Criticism was issued in the Commercial Auto First Party Closed Without Payment Survey.
46. The Company was criticized under 215 ILCS 5/154.6(d) for failing in good faith to effectuate prompt, fair and equitable settlements in which liability was clear. The Company actions and inactions were unfair and/or deceptive in violation of 215 ILCS 5/423 and/or 215 ILCS 5/424(4). As a result of the aforementioned, the Company has failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies in violation of 215 ILCS 5/154.6(c). The Company made four (4) payments totaling \$2,820.68.
- A General Trend Criticism was issued in the Commercial Auto Third Party Paid Survey.

47. The Company was criticized under 50 Ill. Adm. Code 919.30(c) for the claim file failing to contain detailed documentation in order to permit reconstruction of the company's activities relative to the claim.

A General Trend Criticism was issued in the Commercial Auto Third Party Paid Survey.

48. The Company was criticized under 215 ILCS 5/154.6(d) for failing in good faith to effectuate prompt, fair and equitable settlements in which liability was clear. The Company actions and inactions were unfair and/or deceptive in violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4). As a result of the aforementioned, the Company has failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies in violation of 215 ILCS 5/154.6(c). The Company made payment on eight (8) claims files totaling \$52,582.55.

A General Trend Criticism was issued in the Commercial Auto Third Party Closed Without Payment Survey.

49. The Company was criticized under 50 Ill. Adm. Code 919.30(c) for the claim file failing to contain detailed documentation in order to permit reconstruction of the company's activities relative to the claim.

A General Trend Criticism was issued in the Commercial Auto Third Party Closed Without Payment Survey.

50. The Company was criticized under 215 ILCS 5/154.6(d) for failing in good faith to effectuate a prompt, fair and equitable settlement when dealing with third party carriers and/or with attorneys. The Company actions and inactions were unfair and/or deceptive in violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4). As a result of the aforementioned the Company has failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies which is a violation of 215 ILCS 5/154.6(c).

A General Trend Criticism was issued in the Commercial Auto Third Party Subrogation Survey.

51. The Company was criticized under 215 ILCS 5/143.16 for failing to include on the notice of cancellation a specific explanation of the reason or reasons for cancellation.

A Class Criticism was issued in the Commercial Truck Cancellation Survey.

52. The Company was criticized under 215 ILCS 5/143.17a(d) for failing to maintain proof of mailing of the notice of nonrenewal.

A Class Criticism was issued in the Commercial Truck Nonrenewal Survey.

53. The Company was criticized under 215 ILCS 5/143.17a for failing to renew commercial truck policies as required or failing to send a notice of nonrenewal.

A Class Criticism was issued in the Commercial Truck Renewal Survey.

54. The Company was criticized under 215 ILCS 5/143.11a for terminating the commercial trucking line of business without notifying the Director of Insurance.

A Class Criticism was issued in the Commercial Truck Renewal Survey.

55. The Company was criticized under 50 Ill. Adm. Code 919.30(c) for the claim file failing to contain detailed documentation in order to permit reconstruction of the company's activities relative to the claim.

A General Trend Criticism was issued in the Commercial Truck First Party Paid Survey.

56. The Company was criticized under 50 Ill. Adm. Code 919.60(a) for indicating on the payment to the insured that said payment was "final" or "a release."

A General Trend Criticism was issued in the Commercial Truck First Party Paid Survey.

57. The Company was criticized in the Commercial Truck First Party Paid Survey under 215 ILCS 5/154.6(d) for failing in good faith to effectuate a prompt, fair and equitable settlement in a file. Their actions or inactions were unfair and/or deceptive and a violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4). As a result the Company was criticized for failing to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies in violation of 215 ILCS 5/154.6(c). The Company reopened this claim since it was never resolved and made a payment of \$11,435.93.

58. The Company was criticized under 215 ILCS 5/154.6(d) for failing in good faith to effectuate a prompt, fair and equitable settlement when liability was clear. The Company actions and inactions were unfair and/or deceptive in violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4). As a result of the aforementioned, the Company has failed to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies and has failed to adopt and implement reasonable standards for settlement of claims arising under its policies in violation of and in conflict with 215 ILCS 5/154.6(c). The Company made three (3) payments totaling \$1,302.60.

A General Trend Criticism was issued in the Commercial Truck Third Party Paid Survey.

59. The Company was criticized under 50 Ill. Adm. Code 919.30(c) for failing to contain detailed documentation in the claim file in order to permit reconstruction of the company's activities relative to the claim.

A General Trend Criticism was issued in the Commercial Truck Third Party Paid Survey.

60. The Company was criticized under 215 ILCS 5/154.6(d) for failing in good faith to effectuate prompt, fair and equitable settlements in which liability was clear. The Company actions and inactions were unfair and/or deceptive in violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4). As a result of the aforementioned, the Company has failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies, a violation of 215 ILCS 5/154.6(c). The Company made payment on eight (8) claims files totaling \$27,146.20.

A General Trend Criticism was issued in the Commercial Truck Third Party Closed Without Payment Survey.

61. The Company was criticized under 50 Ill. Adm. Code 919.30(c) for the claim file failing to contain detailed documentation in order to permit reconstruction of the company's activities relative to the claim.

A General Trend Criticism was issued in the Commercial Truck Third Party Closed Without Payment Survey.

62. The Company was criticized for failing to maintain complaints received directly from the consumer as required by and as outlined in 50 Ill. Adm. Code 926.50 and 215 ILCS 5/143d.

A Class Criticism was issued for Consumer Complaints. This same criticism of the Company was issued during prior exams.

V. INTERRELATED and ADDITIONAL FINDINGS

In addition to the individual survey findings noted above, the following was discovered:

65. When delay letters were due or sent auto insureds or third party claimants, the Company failed to provide the reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2) and 50 Ill. Adm. Code 919.80(b)(3) in 213 out of 288 times (73.96% error ratio). Class Criticisms and General Trend Criticisms were issued in the Private Passenger Auto First Party Median & Paid Survey, Private Passenger Auto First Party Closed Without Payment Survey, Private Passenger Auto Third Party Median and Paid Survey, Private Passenger Auto Third Party Closed Without Payment Survey and the Private Passenger Auto Total Loss Survey.

<u>Survey</u>	<u># of times delay letter was sent/due</u>	<u># of times not sent correctly</u>
First Party Auto Median & Paid	46	39
First Party Auto C.W.P.	90	90
Third Party Auto Median & Paid	54	21
Third Party Auto C.W.P.	50	16
Total Losses	<u>48</u>	<u>47</u>
	288	213

66. When a reasonable written explanation of the denial or lower offer of settlement is due or sent to a private passenger auto insured or when a reasonable written explanation of the denial is due or sent to the third party, the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) or 50 Ill. Adm. Code 919.50(a)(2). A letter was either not sent or was sent incorrectly in 38 out of 49 times (77.55% error ratio) Class Criticisms or General Trend Criticisms were issued in the Private Passenger Auto First Party Paid Survey, Private Passenger Auto First Party Closed Without Payment Survey and Private Passenger Auto Third Party Closed Without Payment Survey.

<u>Survey</u>	<u># of times letter was sent/due</u>	<u># of times not sent correctly</u>
First Party Auto Median & Paid	15	15
First Party Auto C.W.P.	22	21
Third Party Auto C.W.P.	<u>12</u>	<u>2</u>
	49	38

67. When a commercial policy or a private passenger auto policy comes up for renewal, the Company must either automatically renew the policy or the Company must send a notice of nonrenewal to the insured unless there is documented evidence that the insured placed the coverage elsewhere. There was

evidence discovered that at times the Company will not renew a policy unless the agent/producer sends in a renewal application or informs the Company to send out a renewal notice. These actions and/or inactions are in violation of 215 ILCS 5/143.17 or 215 ILCS 5/143.17a. A Class Criticism applies.

68. When it is reasonably clear that the liability rests with the insured, the Company fails to handle the claim correctly when dealing with a third party or third party carrier. The Company delays the investigation and handling of the claim, refuses to accept liability within a reasonable time when liability is apparent and sometimes never accepts liability. The Company fails to provide reasonable estimates, fails to answer pertinent communication in a timely manner and fails to respond to communication at all. As a result of these practices the Company forces third party claimants to file with their own carrier or file suit, or forces the third party carrier to file suit or arbitration. There is evidence that the Company fails to do anything with a number of claim files. There is evidence of the aforementioned actions in private passenger auto and commercial claims, subrogation claims, and third party claims.

The actions and inactions committed by the Company were unfair and deceptive acts and/or practices and a violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4) and/or 215 ILCS 5/154.6(g). The Company failed in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability was reasonably clear and violated 215 ILCS 5/154.6(d) and resulted from a failure, by the Company, to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies and from a failure to adopt and implement reasonable standards for the settlement of claims arising under its policies which are violations of and are mandated by 215 ILCS 5/154.6(c). A Class Criticism applies.

II. BACKGROUND

The company was formed as Universal Mutual Casualty Company on January 12, 1949 under the laws of Illinois and commenced operations on January 21 of that year.

On December 31, 1983 the corporate structure was changed from "Mutual" to "Stock" with the name being changed to its present title. At that time all of the common stock was acquired by UCC Corporation.

On January 13, 1998, UCC Corporation was acquired by Kingsway Financial Services, Inc., a Canadian company whose primary business is also nonstandard automobile insurance.

The company was last the subject of a Market Conduct Examination completed July 14, 2006.

III. METHODOLOGY

The Market Conduct examination was conducted for two periods: the Benchmark and the Improvement period. Under the special circumstances of this market conduct exam, the two periods were examined to determine if there was any improvement after a number of other states performed exams on the Company. This exam looks at the Benchmark Period, at which time market conduct exams from other states had not yet been performed, and the Improvement Period, at which time the Company had already undergone a number of Market Conduct examinations. This exam is not meant to critique or comment on any Market Conduct survey or exam, but rather, identifies any improvement (or lack thereof) asserted by the Company during the time of this examination.

- ***Benchmark Period***

The Market Conduct examination places emphasis on evaluating an insurer's systems and procedures in dealing with insured's and claimants.

The following categories were the areas examined:

1. Risk Selection
2. Underwriting
3. Claims

The review of these categories is accomplished through examination of individual underwriting and claim files, written interrogatories, interviews with company personnel, analysis of policy forms and endorsements, and verification of computer rating accuracy. Each of these categories is examined for compliance with Departmental Rules and Regulations and applicable state law.

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated to the Company but are not cited in the report if not indicative of a general trend, except if there were underpayments and/or overpayments in claim surveys or undercharges and/or overcharges in underwriting surveys.

The following methods were used to obtain the required samples to assure methodical selection.

Risk Selection

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

Underwriting

New files were selected based on the inception date falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, use of filed forms, compliance with company underwriting guidelines and to insure that the protection provided was as requested.

Claims

Claims were requested based on the settlement occurring within the period under examination.

- ***Improvement Period***

The examiners requested and received a list of First Party and Third Party claims reported May 1, 2009 through December 31, 2009. Private Passenger Auto claims was the focus of the *Improvement Period*. No Complaints or Risk Selection or Underwriting surveys were examined and no Commercial Claims were examined. No criticisms were issued for the *Improvement Period*. The findings and observations by the examination team are indicated in this report.

Selection of Samples

A.	Risk Selection	Total <u>Files</u>	# <u>Reviewed</u>	% <u>Reviewed</u>
1.	Private Passenger Auto Cancellations	9654	115	1.19
2.	Private Passenger Auto Nonrenewals	2005	110	5.49
3.	Commercial Auto Cancellations	211	211	100.00
4.	Commercial Auto Nonrenewals	2	2	100.00
5.	Commercial Truck Cancellations	11	11	100.00
6.	Commercial Truck Nonrenewals	2	2	100.00
B.	Underwriting			
1.	Private Passenger Auto New Business	68,998	115	0.17
2.	Commercial Auto Renewals	501	95	18.96
3.	Commercial Truck Renewals	46	46	100.00
C.	Claims			
1.	Private Passenger Auto First Party Median & Paid	2526	114	4.51
2.	Private Passenger Auto First Party Closed Without Payment	2960	113	3.82
3.	Private Passenger Auto Third Party Median & Paid	3627	113	3.12
4.	Private Passenger Auto Third Party Closed Without Payment	5868	101	1.72
5.	Private Passenger Auto Total Losses – First Party	641	50	7.80
6.	Commercial Auto First Party Paid	2	2	100.00
7.	Commercial Auto First Party Closed Without Payment	10	10	100.00
8.	Commercial Auto Third Party Paid	45	45	100.00
9.	Commercial Auto Third Party Closed Without Payment	34	34	100.00
10.	Commercial Auto Subrogation (First Party Recoveries)	2	2	100.00
11.	Commercial Auto Subrogation (Third Party Payments)	13	13	100.00
12.	Commercial Truck First Party Paid	18	18	100.00
13.	Commercial Truck First Party Closed Without Payment	12	12	100.00

14.	Commercial Truck Third Party Paid	43	43	100.00
15.	Commercial Truck Third Party Closed Without Payment	31	31	100.00
16.	Commercial Truck Subrogation (First Party Recoveries)	3	3	100.00
17.	Commercial Truck Subrogation (Third Party Payments)	15	15	100.00
18.	Improvement Period First Party Claims	2176	200	9.19
19.	Improvement Period Third Party Claims	4548	200	4.40

- **IMPROVEMENT PERIOD** - The examiners reviewed 200 First Party Claims and 200 Third Party Claims that were reported 5/1/2009 thru 12/31/2009.

IV. FINDINGS

A. Risk Selection

1. Private Passenger Auto Cancellations

One hundred fifteen files were examined. Twenty-seven of those were due to missing information and/or failure to provide information. In 27 of these (100%) there was no evidence in the file or in the notes/comments that the Company ever requested the information directly from the insured and no evidence that the insured even knew any information was needed to continue coverage. These actions or inactions are unfair and deceptive acts or practices and a violation of 215 ILCS 5/423(1). A Class Criticism was issued.

One hundred fifteen files were examined. Five of these policies were rescinded in the first policy term for misrepresentation of information on the application when the applicant/insured did not sign the application. Without an applicant's signature, there is no evidence of misrepresentation. Rescinding the policy is in conflict with 215 ILCS 5/154 and these actions are unfair and deceptive acts or practices and a violation of 215 ILCS 5/423(1) resulting in three (3) reimbursements to insureds in the amount of \$6,529.94. A Class Criticism was issued.

One hundred fifteen files were examined. In 72 files (62.61% of the 115) the Company was in violation of 215 ILCS 143.15. Thirty nine cancellation notices failed to provide a specific explanation of the reason or reasons for cancellation. Some of these 39 files also failed to provide the proper amount of days notice. The remaining 33 files failed to provide the applicable 10 or 30 days notice. A Class Criticism was issued.

2. Private Passenger Auto Nonrenewals

One hundred ten files were examined. In 81 files (73.64% of the 110) the Company failed to meet the requirements of 215 ILCS 5/143.17. The Company failed to maintain proof of mailing in three (3) files in violation of 215 ILCS 5/143.17(a) and failed to provide a specific explanation of the reason(s) for nonrenewal in 80 files in violation of 215 ILCS 5/143.17(e). (Note: In two (2) files both violations occurred.) A Class Criticism was issued.

One hundred ten files were examined. In 32 files (29.09% of the 110) the reason provided on the notice of nonrenewal was that some information was not provided by the insured. For example the cancellation reason was that the following information was not provided: an exclusion form, spouse information, incomplete vehicle information, license number

and/or similar information. However, no evidence that any request for such information was ever made directly to the named insured. There was no evidence any documents or requests were ever mailed to the named insured and/or no documented telephone conversations with the named insured asking for the information. Nonrenewing a policy for lack of information when that information was never requested from the insured is an unfair or deceptive act or practice in violation of 215 ILCS 5/423(1). A General Trend Criticism was issued.

One hundred ten files were examined. In seven (7) files coverage was in effect for five (5) years or longer. When a policy of automobile insurance has been effective or renewed five (5) years or more, the company shall not exercise its right of nonrenewal unless it is due to one (1) of the reasons described, or the Company provides 60 days notice as required in 215 ILCS 5/143.19.1. In two (2) of the seven (7) files (28.57%), the policy was nonrenewed for reasons other than described in the Code and no 60 day notice was given to the insured. The Company was in violation of 215 ILCS 5/143.19.1. A General Trend Criticism was issued.

3. Commercial Auto Cancellations

There were no criticisms.

4 Commercial Auto Nonrenewals

Two files were examined. In both files (100.00%) there was no evidence that loss information was sent at the same time as the notice of nonrenewal which is a violation of 215 ILCS 5/143.10a. A Class Criticism was issued.

Two files were examined. In one (1) file (50.00%) the reason given for the nonrenewal was "NON-RENEW DUE TO LOSSES". The Company failed to provide a specific explanation of the reasons for nonrenewal as required by 215 ILCS 5/143.17a. The Company failed to indicate the details of such losses. A General Trend Criticism was issued.

5. Commercial Truck Cancellations

Three files were examined. In two (2) files (66.67%) the Company failed to include a specific explanation of the reason or reasons for cancellation on the notice mailed to the insured. A Class Criticism was issued for violation of 215 ILCS 5/143.16.

6. Commercial Truck Nonrenewals

Two files were examined. In both files (100.00%) the Company failed to maintain proof of mailing of the notice of nonrenewal in violation of

215 ILCS 5/143.17a(d). A Class Criticism was issued.

B. Underwriting

1. Private Passenger Auto New Business

The city of Chicago has a population of 2,000,000 or more. All divisions or districts within the city of Chicago must have the same bodily injury rate. The Company rate filing indicates two (2) zip codes in the city of Chicago have different bodily injury rates for limits of 25/50 and 100/300 compared to the other territories or zip codes. The Company is in violation of 215 ILCS 5/155.17. A Class Criticism was issued.

One hundred fifteen files/applications were examined and rated. The Company's filed application indicates "As part of the Company's policy issuance procedure, a routine inquiry will be made to obtain the driving record of all drivers of the vehicle being insured, if the record for the rated driver differs from the information above, my premium will be adjusted and the policy may be rescinded for misrepresentation within the first policy term." There was no evidence that the Company obtained driving records at issuance of the policy. Upon *notification of a claim* the Company will obtain driving records which may cause a policy being rescinded, thereby eliminating payment, or surcharges that will be deducted from claim payments to the insured. The Company does not follow the verbiage on their application and, therefore, by their actions and inactions have created unfair and deceptive acts or practices in violation of 215 ILCS 5/423(1). A Class Criticism was issued.

As required by 50 Ill. Adm. Code 932.40, all insurance companies issuing private passenger automobile insurance policies that insure automobiles equipped with anti-theft mechanisms shall allow a discount on comprehensive coverage to qualifying automobiles in an amount deemed appropriate by the insurer and the discount shall not be less than 5% on comprehensive coverage. The company's rate filing fails to have a separate rate for comprehensive coverage in order to verify the proper discount was given. The Company's rate filing indicates one (1) rate for physical damage, i.e., combining comprehensive and collision coverage. The anti-theft discount applies only to comprehensive and a separate rate must be filed for comprehensive in order not to be in conflict with 50 Ill. Adm. Code 932.40. A Class Criticism was issued.

One hundred fifteen files were examined. In 79 of those 115 files (68.70%) the Company was in conflict with 50 Ill. Adm. Code 753.10(a)(1) and/or 50 Ill. Adm. Code 753.10(a)(2) and/or 50 Ill. Adm. Code 753.10(a)(3). The Company must file all policy forms, all endorsements and all applications. The Company failed to use the proper

filed application 71 times. The Company failed to obtain a signature as required on the filed application seven (7) times. In regards to an exclusion form, the Company failed to use the form properly 13 times. The Company failed to file two (2) forms. The total number of files criticized was 79 with some falling into more than one (1) category. A Class Criticism was issued.

In seven (7) of the 115 files examined (6.09%), the Company failed to follow and use the rules and rates filed with the Illinois Department of Insurance creating miscellaneous rating errors (MRE) of four (4) annual undercharges totaling \$179.00 and three (3) annual overcharges totaling \$206.00. The Company was in violation of and in conflict with 50 Ill. Adm. Code 754.10(b)(1) and/or 50 Ill. Adm. Code 754.10(b)(2).

2. Commercial Auto Renewals

Ninety-five files were examined. In 95 files (100.00%) the following statement appears on the "Expiration Notice-Renewal Offer": "Your policy will automatically terminate, with no further notice to you from the company, if a renewal request from your insurance broker is not received in our office prior to the expiration date." This is a violation of 215 ILCS 5/143.17a. The Company must either nonrenew with proper notice or renew the policy *directly* with the insured as required unless there is evidence that the insured went with another carrier. A Class Criticism was issued.

3. Commercial Truck Renewals

Forty-six files were examined. In 46 files (100.00%) the following statement appears on the "Renewal Notice" sent to the agency office: "The subject account will renew on the above date. In order to offer a renewal quote please forward a new, completed application and any attached supplements to our office within the next 30 days. A renewal quote will then be prepared and forwarded to your agency. If we receive no response to this notice, we will assume that you have placed coverage at renewal outside of our facilities." This is a violation of 215 ILCS 5/143.17a. The Company must either nonrenew or renew the policy *directly* with the insured unless there is evidence the coverage has been placed with another carrier. A Class Criticism was issued.

The Company made a decision to exit the Commercial Trucking line of business and failed to inform the Director of Insurance as required by 215 ILCS 5/143.11a. The Company has subsequently informed the Department of Insurance. A Class Criticism was issued for this violation.

C. Claims

1. Private Passenger Auto First Party Median & Paid

The median payment period was 52 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	50	36.50
31-60	30	21.90
61-90	15	10.95
91-180	29	21.16
181-365	13	9.49
<u>over 365</u>	<u>0</u>	<u>0.00</u>
Total	137	100.00

One hundred thirty-seven files were used in computing the median. The Company was in violation of 50 Ill. Adm. Code 919.80(b)(2) for maintaining a median in excess of 40 calendar days when making collision payments to the insured. The median developed was 52 calendar days. A Class Criticism was issued.

One hundred four files were examined. In 15 files the Company either denied the claim or offered a lower settlement amount. In 15 of these 15 files (100.00%) the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) for failing to provide the insured with a written explanation for the denial (two files) or failing to provide an explanation for the denial that was *reasonable* (two files) or failing to provide or send a letter to the insured when the settlement was for a lower amount (one file) or if a letter was sent to explain the lower settlement amount the explanation failed to be *reasonable*. The violation resulted in payments to five (5) insureds totaling \$1,975.35. A Class Criticism was issued.

One hundred four files were examined. Forty six 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. In 39 of those 46 files (84.78%) the Company failed to provide that written explanation as outlined in and required by 50 Ill. Adm. Code 919.80(b)(2). The Company failed to provide the insured the written explanation (16 files), an explanation was sent the insured but the explanation failed to be a *reasonable* one (23 files), the Company failed to send the explanation by the 40th day (3 files), or the address for Department of Insurance was incorrect when accompanying the written explanation (5 files). (Some of the claim files were cited more than once). A Class Criticism was issued.

One hundred four files were examined. The verbiage in the policy itself indicates that payment is to be made "...to the insured or the owner of the

property, or at the election of the Company, to a repair shop which repairs the automobile, or a loss payee under this policy if the automobile be stolen or be determined a total loss by the Company. ...". In 86 files or 82.69% of the 104 examined, the payment was a two (2) party check which is in conflict with 50 Ill. Adm. Code 753.10(a)(1) and a Policy Contract Violation. A Class Criticism was issued.

One hundred four files were examined. In 13 files or 12.50% of the 104, the Company failed to tender payment within 30 days after affirmation of liability when the amount of the claim was determined and not in dispute and the payee was known. The Company was in violation of 50 Ill. Adm. Code 919.50(a). A General Trend Criticism was issued.

One hundred four files were examined. In 12 files or 11.54% of the 104, the Company failed to maintain detailed documentation in the claim file in order to permit reconstruction of the company's activities relative to the claim. The Company was in violation of 50 Ill. Adm. Code 919.30(c). A General Trend Criticism was issue.

2. Private Passenger Auto First Party Closed Without Payment

One hundred thirteen files were examined. In 88 files a written explanation was sent to the insured for the delay and in two (2) additional files an explanation was required but the Company failed to send the explanation. In 100.00% of the 90 files (the 88 plus the 2) the Company was in violation of 50 Ill. Adm. Code 919.80(b)(2). The Company failed to send a written explanation for the delay – 2 files. The Company sent an explanation but the explanation failed to be *reasonable* – 86 files. The Company failed to send the explanation by the 40th day - 4 files. The Company failed to provide the correct address when providing the Availability of the Department of Insurance - 88 files. The Company failed to provide the Availability of the Department of Insurance - 1 file. (Some of the files were cited more than once.) A Class Criticism was issued.

One hundred thirteen files were examined. Denial letters were sent in 22 files. In 21 of those 22 files (95.45%) the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1). In 17 files the Company failed to provide a *reasonable* explanation of the reason for denial. Two of the 17 files also failed to provide the Availability of the Department of Insurance and an additional one (1) gave "100 N Randolph" as the Chicago address instead of the correct address of "100 W. Randolph". In addition to the 17 files, an additional three (3) files had the "100 N Randolph" address and an additional one (1) had "320 Washington" instead of "320 West Washington" for the Springfield address. A Class Criticism was issued.

One hundred thirteen files were examined. In four (4) files or 3.54% of the 113, the Company was in violation of 50 Ill. Adm. Code 919.30(c) for failing to maintain detailed documentation in the claim file in order to permit reconstruction of the company's activities relative to the claim.

3. Private Passenger Auto Third Party Median & Paid

The median payment period was 169 days (with arbitration, subrogation and litigation files included) and 78 days (when excluded) and distributed as follows:

With arbitration, subrogation and litigation

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	5	4.43
31-60	13	11.51
61-90	18	15.93
91-180	23	20.35
181-365	15	13.27
<u>over 365</u>	<u>39</u>	<u>34.51</u>
Total	113	100.00

Without arbitration, subrogation and litigation

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	4	7.55
31-60	13	24.53
61-90	15	28.30
91-180	16	30.19
181-365	5	9.43
<u>over 365</u>	<u>0</u>	<u>0.0</u>
Total	53	100.00

Sixty claims (53.10% of the 113) went into arbitration, subrogation or litigation.

One hundred thirteen files were used in computing the median. The Company was in violation of 50 Ill. Adm. Code 919.80(b)(3) for maintaining a median in excess of 60 calendar days when making property damage payments to a third party. The median developed was 169 calendar days with arbitration, subrogation and litigation files included and 78 calendar days when excluded. A Class Criticism was issued.

In examining and reviewing the third party claim files, when a third party inquired about a rental there was no evidence in any of the notes,

comments or documents that any information was furnished that third party on where he or she could rent a vehicle at the rental amount the Company was willing to pay. Failing to provide the third party the location where the vehicle can be rented for the amount is a violation of 50 Ill. Adm. Code 919.80(d)(2). A Class Criticism was issued.

One hundred thirteen files were examined. Fifty four files remained unresolved in excess of 60 calendar days from the date the loss was reported. A reasonable written explanation for the delay was to be provided the third party claimant as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3). In 21 files or 38.89% of the 54, the Company failed to provide the explanation to the third party (15 files), failed to provide the written explanation by the 60th day (2 files) or the written explanation failed to be *reasonable* (4 files). A General Trend Criticism was issued.

One hundred thirteen files were examined. In 49 files or 43.36% of the 113, the Company failed in good faith to effectuate prompt, fair and equitable settlement of claims to the third party or third party carrier when liability was reasonably clear, a violation of 215 ILCS 5/154.6(d). Many claimants or carriers were forced into filing arbitration and/or lawsuits. The aforesaid is the result of the Company failing to adopt and implement reasonable standards for the prompt investigation of its claims and failing to adopt and implement reasonable standards for the settlement of its claims, a violation of 215 ILCS 5/154.6(g) and/or 215 ILCS 5/154.6(c). The Company provided unrealistically low offers, delayed resolution of the claims or did nothing to resolve the claims, failed to promptly act on claims or make reasonable, fair and equitable offers and settlements when liability became apparent. A General Trend Criticism was issued.

One hundred thirteen files were examined. In four (4) files or 3.54% of the 113, the claim file failed to contain documentation in order for the examiner to reconstruct the company's activities relative to the claim, a violation of 50 Ill. Adm. Code 919.30(c).

4. Private Passenger Auto Third Party Closed Without Payment

In examining and reviewing the third party claim files, when a third party inquired about a rental there was no evidence in any of the notes, comments or documents that any information was furnished that third party on where he or she could rent a vehicle at the rental amount the Company was willing to pay. Failing to provide the third party the location where the vehicle can be rented for the amount is a violation of 50 Ill. Adm. Code 919.80(d)(2). A Class Criticism was issued.

One hundred one files were examined. The claim remained unresolved in excess of 60 days in 50 files. In 16 of those 50 files (32.00%) the Company was cited for failing to send the third party a reasonable written explanation as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3). A written explanation was not sent in nine (9) files and sent late in seven (7) files. A General Trend Criticism was issued.

One hundred one files were examined. Claims were denied in 12 files. In two (2) of the 12 denied claims (16.67%), the Company was in violation of 50 Ill. Adm. Code 919.50(a)(2) for failing to provide the third party with a reasonable written explanation of the basis of the denial. They failed to send the letter. A General Trend Criticism was issued.

One hundred one files were examined. In 14 files or 13.86% of the 101, the Company failed in good faith to effectuate prompt, fair and equitable settlement of claims to the third party or third party carrier when liability was reasonably clear, a violation of 215 ILCS 5/154.6(d). Many claimants or carriers were forced into filing arbitration and/or lawsuits. The aforesaid is the result of the Company failing to adopt and implement reasonable standards for the prompt investigation of its claims and failing to adopt and implement reasonable standards for the settlement of its claims, a violation of 215 ILCS 5/154.6(g) and/or 215 ILCS 5/154.6(e). In reviewing the claims, the Company provided unrealistically low offers, delayed resolution of the claims or did nothing to resolve the claims, failed to promptly act on claims or make reasonable, fair and equitable offers and settlements when liability became apparent. Discovered were 11 underpayments of \$15,937.91. The Company has made five (5) payments totaling \$4,380.08 and has refused to make six (6) payments totaling \$11,557.83. A General Trend Criticism was issued.

One hundred one files were examined. In four (4) files or 3.96% of the 101, the claim file failed to contain documentation in order for the examiner to reconstruct the company's activities relative to the claim, a violation of 50 Ill. Adm. Code 919.30(c).

One hundred one files were examined. In two (2) files or 1.98% of the 101, the Company was in violation of 215 ILCS 5/154.6(c) as defined in 50 Ill. Adm. Code 919.40 for failure to make a bonafide effort to contact the claimant when liability was reasonably clear within 21 days after notification of loss. This resulted in one (1) underpayment of \$1,428.77. The Company has made reimbursement.

5. Private Passenger Auto First Party Total Losses

Fifty total losses were examined. In 100% of these files the Company sent a "Regular Proof of Loss" to the insured that had the following verbiage:

“whose receipt shall be a complete acquittance.” That verbiage indicates that said payment is “final” or “a release” of which is a violation of 50 Ill. Adm. Code 919.60(a). The Company also had “final” or “a release” wording on eight (8) of the checks payable to the insured which is also a violation of 50 Ill. Adm. Code 919.60(a). A Class Criticism was issued.

Fifty total loss files were examined. In 17 files the Company reduced the settlement amount by taking advance charge deductions. In 17 files (100.00%) there was no evidence that the insured caused any excessive charges for storage and towing creating 17 underpayments totaling \$5,286.00 and a violation of 50 Ill. Adm. Code 919.80(d)(3). In addition, the Company failed to itemize each advance charge deduction and maintain documentation of the reasons and dollar amounts involved in each deduction. Failing to effectuate a fair and equitable settlement is a violation of 215 ILCS 5/154.6(d) and, therefore, in failing to adopt and implement reasonable standards for the settlement of claims arising under its policies, the Company is in violation of 215 ILCS 5/154.6(c). The Company made reimbursements of the \$5,286.00. A Class Criticism was issued.

Fifty total loss files were examined. Forty-eight files remained unresolved in excess of 40 calendar days from the date the loss was reported. A reasonable written explanation for the delay was to be provided the insured as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2). In 47 files or 97.92% of the 48, the Company failed to provide the explanation to the insured (12 files), failed to provide the written explanation by the 40th day (2 files), the written explanation failed to be *reasonable* (17 files), no Availability of the Department of Insurance (1 file) and/or the addresses for the Department were incorrect. Some of the 47 files were criticized multiple times. A Class Criticism was issued.

Fifty total loss files were examined. In 23 files the Company reduced the settlement to the insured by taking deductions for unrelated prior damage. In the 20 of these 23 files (86.96%) the deductions failed to reflect a measureable decrease in the market value attributable to the poorer condition of, or prior damage to the insured vehicle creating underpayments and violation of 50 Ill. Adm. Code 919.80(d)(4)(A)(i). Failing to effectuate a fair and equitable settlement is a violation of 215 ILCS 5/154.6(d) and, therefore, in failing to adopt and implement reasonable standards for the settlement of claims arising under its policies, the Company is in violation of 215 ILCS 5/154.6(c). The Company made reimbursements. A Class Criticism was issued. (Combined with violation of 50 Ill. Adm. Code 919.80(c)(2) below, the Company made 24 reimbursements totaling \$41,284.42)

Fifty total loss files were examined. In 22 files (44.00% of the 50) the

Company was in conflict with 50 Ill. Adm. Code 919.80(c)(2) for failing to use and follow the definitions/methodologies of the source used to determine the market value of the insured total loss vehicle creating underpayments. The Company failed to follow the definitions/methodologies of CCC in 21 files and Redbook in one (1) file. Failing to effectuate a fair and equitable settlement is a violation of 215 ILCS 5/154.6(d) and, therefore, in failing to adopt and implement reasonable standards for the settlement of claims arising under its policies, the Company is in violation of 215 ILCS 5/154.6(c). A General Trend Criticism was issued. (Combined with violation of 50 Ill. Adm. Code 919.80(d)(4)(A)(i) above, the Company made 24 reimbursements totaling \$41,284.42)

Fifty total loss files were examined. Twenty-three total losses were comprehensive claims. In 14 of those 23 (60.87%), the Company sent a letter to the insured with the following verbiage: "Illinois law requires us to provide you with the enclosed information whenever you file a COMPREHENSIVE auto claim." The information was not required by Illinois law. The Company is in violation of 215 ILCS 5/154.6(r), 215 ILCS 5/423 and/or 215 ILCS 5/424(4). A Class Criticism was issued.

Fifty total loss files were examined. The Company failed to provide the insured with the informational letter commonly known as the "right of recourse" letter and/or Exhibit A as required by and as outlined in 50 Ill. Adm. Code 919.80(c), and 919.EXHIBIT A Total Loss Automobile Claims. In 16 files (32.00% of the 50) the Company failed to send the letter within 7 days of the vehicle being determined a total loss. Due to the letters being mailed late a General Trend Criticism was issued.

Fifty total loss files were examined. The Company reimbursed the insured for sales tax and transfer and title fees in seven (7) files. In two (2) of those seven (7) files (28.57%) the Company failed to reimburse the correct amount of taxes and/or fees in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i) creating underpayments totaling \$421.38. The Company has made reimbursements. A General Trend Criticism was issued.

While examining total losses the examiner discovered that a third party carrier who had submitted subrogation papers to the Company had never been paid and the Company never responded and a letter the Company did send was sent to the third party instead of the third party carrier. The third party carrier had never been contacted. The subrogation demand was for \$9,232.46 and created an underpayment for that amount. The actions and inactions by the Company are both unfair and deceptive and a violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4). For failing to effectuate a prompt, fair and equitable settlement the Company is also in violation of

215 ILCS 5/154.6(d) and in violation of 215 ILCS 5/154.6(c) and/or 215 ILCS 5/154.6(r) for failing to adopt and implement reasonable standards for the prompt investigation of its claims and failing to adopt and implement reasonable standards for the settlement of claims arising under its policies. The Company has paid the \$9,232.46 to the third party carrier.

6. Commercial Auto First Party Paid

Two files were examined and in one (1) of these files (50.00%), when making the claims payment to the policyholder, the Company omitted the coverage under which the payment was made in violation of 215 ILCS 5/154.6(l). The Company used an abbreviation. The Company may know what the abbreviation "CL" represents but an insured would not. A General Trend Criticism was issued.

Two files were examined. In one (1) file (50%) the Company reduced payment to the insured with no written explanation of the basis of the lower offer sent to the insured in violation of 50 Ill. Adm. Code 919.50(a)(1). A General Trend Criticism was issued.

Two files were examined. In one (1) file (50.00%) the Company committed a Policy Contract Violation for taking the incorrect deductible amount off of the settlement resulting in a \$500.00 underpayment. The Company has made reimbursement. A General Trend Criticism was issued.

7. Commercial Auto First Party Closed Without Payment

Ten files were examined. In three (3) of the 10 files, the claim was denied. In two (2) of the three (3) claim files that were denied (66.67%) the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1). The Company failed to send a denial letter in one (1) file and in the other they failed to send the denial letter within 30 days after the investigation and determination of liability. The letter was sent 138 days after the loss was reported when liability was clear. A Class Criticism was issued.

Ten files were examined. In three (3) files or 30.00% of the 10, the claim file failed to contain documentation in order for the examiner to reconstruct the company's activities relative to the claim, a violation of 50 Ill. Adm. Code 919.30(c). A General Trend Criticism was issued.

8. Commercial Auto Third Party Paid

Forty-five claim files were examined. In 11 files (24.44% of the 45) the Company failed in good faith to effectuate prompt, fair and equitable

settlements when liability was clear in violation of 215 ILCS 5/154.6(d). The Company's actions and inactions are unfair and deceptive in violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4). As a result, the Company has failed to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies and has failed to adopt and implement reasonable standards for the settlement of claims arising under its policies which is in conflict with 215 ILCS 5/154.6(c). The Company fails to accept liability when liability has become apparent, provides unrealistically low offers, and delays resolution of claims and takes no action. As a result, the claimant or third party carrier is forced to file suit or go to arbitration. The Company is in conflict with 215 ILCS 5/154.6(g). The Company made four (4) reimbursement payments totaling \$2,820.68. A General Trend Criticism was issued.

Forty-five claim files were examined. In 11 files or 24.44% of those examined, the claim file failed to contain documentation in order for the examiner to reconstruct the company's activities relative to the claim, a violation of 50 Ill. Adm. Code 919.30(c). A General Trend Criticism was issued.

9. Commercial Auto Third Party Closed Without Payment

Thirty-four claim files were examined. In 17 files (50.00% of the 34) the Company failed in good faith to effectuate prompt, fair and equitable settlements when liability was clear in violation of 215 ILCS 5/154.6(d). The Company's actions and/or inactions are unfair and deceptive in violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4). As a result, the Company has failed to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies and has failed to adopt and implement reasonable standards for the settlement of claims arising under its policies which is in conflict with 215 ILCS 5/154.6(c). The Company fails to accept liability when liability has become apparent and as a result forces the claimant or third party carrier to file suit or pursue arbitration. The Company provides unrealistically low offers, delays resolution of the claim, fails to take action to resolve the claim, delays the handling of the claim, fails to communicate regarding the claims and takes no action on the claims. The Company made payments on eight (8) claim files totaling \$52,582.55. A General Trend Criticism was issued.

Thirty-four claim files were examined. In 17 files or 50.00% of those examined, the claim file failed to contain documentation in order for the examiner to reconstruct the company's activities relative to the claim, a violation of 50 Ill. Adm. Code 919.30(c). A General Trend Criticism was issued.

10. Commercial Auto Subrogation – Third Party

Thirteen files were examined. In three (3) files or 23.08% of the 13, there was no evidence that the Company immediately made arrangements to accept liability and send the third party to one (1) of their shops when liability became apparent. In two (2) files, the Company underpaid the estimate. The Company is in violation of 215 ILCS 5/154.6(d) for failing in good faith to effectuate a prompt, fair and equitable settlement of claims. The actions and/or inactions are unfair and deceptive which is a violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4). The Company then has failed to adopt and implement reasonable standards for the prompt investigation and settlements of claims arising under its policies which is a violation of 215 ILCS 5/154.6(c). A General Trend Criticism was issued.

11. Commercial Truck First Party Paid Claims

Eighteen files were examined. In two (2) files or 11.11% of the 18, the claim file failed to contain documentation in order for the examiner to reconstruct the company's activities relative to the claim, a violation of 50 Ill. Adm. Code 919.30(c). A General Trend Criticism was issued.

Eighteen files were examined. In two (2) files or 11.11% of the 18, the company indicated on the payment to the insured that said payment was "final" or "a release" of in violation of 50 Ill. Adm. Code 919.60(a). A General Trend Criticism was issued.

In one (1) file (5.56% of the 18 examined) the Company was in violation of 215 ILCS 5/154.6(d) for failing in good faith to effectuate a prompt, fair and equitable settlement. Their actions or inactions were unfair and deceptive in violation of 215 ILCS 5/424(4). As a result of the aforementioned, the Company has failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies which is a violation of 215 ILCS 5/154.6(c). The Company never did resolve this claim and after reopening made a payment to the insured in the amount of \$11,435.93.

12. Commercial Truck First Party Closed Without Payment

Twelve files were examined. In one (1) file or 8.33% of the 12, the claim file failed to contain documentation in order for the examiner to reconstruct the company's activities relative to the claim, a violation of 50 Ill. Adm. Code 919.30(c).

13. Commercial Truck Third Party Paid

Forty-three claim files were examined. In 10 files (23.26% of the 43) the Company failed in good faith to effectuate prompt, fair and equitable settlements when liability was clear in violation of 215 ILCS 5/154.6(d). The Company's actions and inactions are unfair and deceptive in violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4). As a result, the Company has failed to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies and has failed to adopt and implement reasonable standards for the settlement of claims arising under its policies which is in conflict with 215 ILCS 5/154.6(c). The Company fails to accept liability when liability has become apparent and as a result forces the claimant or third party carrier to file suit or pursue arbitration. The Company is in conflict with 215 ILCS 5/154.6(g). The Company fails to take action to resolve the claim, delays the handling of the claim, fails to communicate regarding the claims and takes no action on the claims. The Company made three (3) reimbursement payments totaling \$1,302.60. A General Trend Criticism was issued.

Forty-three files were examined. In eight (8) files or 18.60% of the 43, the claim file failed to contain documentation in order for the examiner to reconstruct the company's activities relative to the claim, a violation of 50 Ill. Adm. Code 919.30(c). A General Trend Criticism was issued.

14. Commercial Truck Third Party Closed Without Payment

Thirty-one claim files were examined. In eight (8) files (25.81% of the 31) the Company failed in good faith to effectuate prompt, fair and equitable settlements when liability was clear in violation of 215 ILCS 5/154.6(d). The Company's actions and inactions are unfair and deceptive in violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4). As a result, the Company has failed to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies and has failed to adopt and implement reasonable standards for the settlement of claims arising under its policies, a violation of 215 ILCS 5/154.6(c). The Company fails to accept liability when liability has become apparent and as a result forces the claimant or third party carrier to file suit or pursue arbitration. The Company provides unrealistically low offers, delays resolution of the claim, fails to take action to resolve the claim, delays the handling of the claim, fails to communicate regarding the claims and takes no action on the claims. The Company has made payment on these eight (8) claim files totaling \$27,146.20. A General Trend Criticism was issued.

Thirty-one files were examined. In five (5) files or 16.13% of the 31, the claim file failed to contain documentation in order for the examiner to reconstruct the company's activities relative to the claim, a violation of 50 Ill. Adm. Code 919.30(c). A General Trend Criticism was issued.

D. Complaints

1. Department Complaints

None were examined

2. Consumer Complaints

None were examined. The Company fails to maintain Consumer Complaints as required by 50 Ill. Adm. Code 926.50 and 215 ILCS 5/143d. A Class Criticism was issued.

V. INTERRELATED and ADDITIONAL FINDINGS

- When delay letters were due or sent private passenger auto insureds or third party claimants, the Company failed to provide the reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2) and 50 Ill. Adm. Code 919.80(b)(3) in 213 out of 288 times (73.96% error ratio). Class Criticisms and General Trend Criticisms were issued in the Private Passenger Auto First Party Median & Paid Survey, Private Passenger Auto First Party Closed Without Payment Survey, Private Passenger Auto Third Party Median and Paid Survey, Private Passenger Auto Third Party Closed Without Payment Survey and the Private Passenger Auto Total Loss Survey.

<u>Survey</u>	<u># of times delay letter was sent/due</u>	<u># of times not sent correctly</u>
First Party Auto Median & Paid	46	39
First Party Auto C.W.P.	90	90
Third Party Auto Median & Paid	54	21
Third Party Auto C.W.P.	50	16
Total Losses	<u>48</u>	<u>47</u>
	288	213

- When a reasonable written explanation of the denial or lower offer is due or sent a private passenger auto insured or when a reasonable written explanation of the denial is due or sent the third party, the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) or 50 Ill. Adm. Code 919.50(a)(2). A letter was either not sent or was sent incorrectly in 38 out of 49 times (77.55% error ratio) Class Criticisms or General Trend Criticisms were issued in the Private Passenger Auto First Party Paid Survey, Private Passenger Auto First Party Closed Without Payment Survey and Private Passenger Auto Third Party Closed Without Payment Survey.

<u>Survey</u>	<u># of times letter was sent/due</u>	<u># of times not sent correctly</u>
First Party Auto Median & Paid	15	15
First Party Auto C.W.P.	22	21
Third Party Auto C.W.P.	<u>12</u>	<u>2</u>
	49	38

- When a commercial policy or a private passenger auto policy comes up for renewal, the Company must either automatically renew the policy or the Company must send a notice of nonrenewal to the insured unless there is documented evidence that the insured placed the coverage elsewhere. There was evidence discovered that the Company will not renew a policy unless the agent/producer sends in a renewal application or informs the Company to send out

a renewal notice. These actions and/or inactions are in conflict with 215 ILCS 5/143.17 or 215 ILCS 5/143.17a and are unfair and deceptive acts or practices that are in violation of 215 ILCS 5/423(1).

4. When it is reasonably clear that the liability rests with the insured, the Company fails to handle the claim correctly in many and most situations when dealing with a third party or third party carrier. There is evidence in private passenger auto claims and commercial claims. The Company provides unrealistically low offers, delays resolution of the claim, delays the investigation and handling of the claim, refuses to accept liability within a reasonable time when liability is apparent and sometimes never accepts liability, fails to provide reasonable estimates, fails to answer pertinent communication in a timely manner and fails to respond to communication at all, and as a result, forces third party claimants to file with their own carrier, forces third party claimants to file suit, or forces the third party carrier to file suit or arbitration. There is evidence that the Company fails to do anything with a number of claim files. There is evidence of the aforementioned actions in private passenger auto and commercial claims, subrogation claims, and third party claims.

The actions and inactions committed by the Company were unfair and deceptive acts and/or practices and a violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4) and/or 215 ILCS 5/154.6(g). The Company failed in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability was reasonably clear and violated 215 ILCS 5/154.6(d) and resulted from a failure, by the Company, to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies and from a failure to adopt and implement reasonable standards for the settlement of claims arising under its policies which are violations of and are mandated by 215 ILCS 5/154.6(c). A Class Criticism applies.

VI. TECHNICAL APPENDICES

(None).

IMPROVEMENT PERIOD FINDINGS
(Private Passenger Auto Claims)

Summary

Item#

13. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(2) for maintaining a median in excess of 40 calendar days on payment of automobile collision claims. The median was 52 calendar days.

A Class Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

IMPROVEMENT - The median improved to 36 days.

14. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(1) for failing to provide the insured a reasonable written explanation of the lower settlement amount or denial or, if such explanation was sent, the written explanation failed to be reasonable and fully explain the reason(s) for the settlement or denial. The violation resulted in payments made to five (5) insureds totaling \$1,975.35.

A Class Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

SOME IMPROVEMENT BUT REMAINS AN AREA OF CONCERN - During the Improvement Period the Company failed to properly send denial letters in three (3) of nine (9) files (33.33%). They failed to send the letter one (1) time, the reason provided on one (1) file was not reasonable, and the availability of the Department of Insurance was omitted on one (1) letter. The percentage of error in the Benchmark Period was 100%. Progress has been made but the number of errors makes a General Trend Criticism applicable.

15. The Company was criticized for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved for more than 40 calendar days as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2).

A Class Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

NO IMPROVEMENT - During the Improvement Period 21 delay letters were due or sent and the Company failed to provide the written explanation correctly 19 times (90.48%). In the Benchmark Period the error percentage was 84.78%. There has been no improvement.

16. The Company was criticized for being in conflict with 50 Ill. Adm. Code 753.10(a)(1) when issuing payment as a two (2) party check when the verbiage in the policy language indicates the payment is to be to one (1) party. This action is also a Policy Contract Violation for not following the policy language.

A Class Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

NO IMPROVEMENT - During the Improvement Period the Company continued this practice. The verbiage needs to be changed in their filed policy or the policy with the verbiage used needs to be filed with the Department.

17. The Company was criticized under 50 Ill. Adm. Code 919.50(a) for failing to tender payment within 30 days after affirmation of liability when the amount of the claim was determined and not in dispute and the payee was known.

A General Trend Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

IMPROVEMENT - During the Improvement Period progress was made and the examiners found no concerns.

18. The Company was criticized under 50 Ill. Adm. Code 919.30(c) for the claim file failing to contain detailed documentation in order to permit reconstruction of the company's activities relative to the claim file.

A General Trend Criticism was issued in the Private Passenger Auto First Party Median & Paid Survey.

IMPROVEMENT - During the Improvement Period progress was made.

19. The Company was criticized for failing to provide the insured with a reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2).

A Class Criticism was issued in the Private Passenger Auto First Party Closed Without Payment Survey.

NO SIGNIFICANT IMPROVEMENT - During the Improvement Period 47 delay letters were due or sent and the Company failed to provide the written explanation correctly 33 times (70.21%). During the Benchmark Period the Company failed 100% of the time. There is a slight improvement but a Class Criticism remains applicable.

20. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(1) for failing to send an explanation when there was a denial, for failing to provide an explanation

that was *reasonable* when sending a denial letter to the insured and/or failing to include the Availability of the Department of Insurance and/or failing to provide the correct address of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40.

A Class Criticism was issued in the Private Passenger Auto First Party Closed Without Payment Survey.

SOME IMPROVEMENT BUT REMAINS AN AREA OF CONCERN -

During the Improvement Period denial letters were sent or due nine (9) times. The Company failed to do so correctly three (3) times (33.33%). During the Benchmark Period the Company error ratio was 95.45%. The Company has made progress, however, a General Trend applies.

21. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(3) for maintaining a median in excess of 60 calendar days when making property damage liability payments. The median was 169 calendar days with arbitration, subrogation and litigation files included and 78 calendar days when excluded.

A Class Criticism was issued in the Private Passenger Auto Third Party Median & Paid Survey.

IMPROVEMENT - During the Improvement Period the Company improved their median to 53 days with litigation, arbitration and subrogation files included and 36 days when excluded and as a result are in compliance.

22. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(2) for failing to disclose to the third party claimant where the claimant could obtain a rental vehicle at the rental amount the Company was willing to pay.

A Class Criticism was issued in the Private Passenger Auto Third Party Median & Paid Survey.

NO IMPROVEMENT - The examiners found no evidence that the Company advised the third party where a rental could be acquired at the rate the Company was willing to pay.

23. The Company was criticized for failing to provide the third party with a reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3).

A General Trend Criticism was issued in the Private Passenger Auto Third Party Median & Paid Survey.

NO IMPROVEMENT - During the Improvement Period 25 delay letters were due or sent a third party and the Company failed to provide the written

explanation correctly to the third party nine (9) times (36%). During the Benchmark Period the Company failed 38.89% of the time. There is no significant improvement and a General Trend Criticism remains applicable.

24. The Company was criticized under 215 ILCS 5/154.6(d) for failing to effectuate in good faith prompt, fair and equitable settlement of claims when liability was clear and under 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies. Because of their actions and inactions, the Company was in conflict with 215 ILCS 5/154.6(g). The violations resulted in 11 underpayments totaling \$9,699.27 in which reimbursements were made.

A General Trend Criticism was issued in the Private Passenger Auto Third Party Median & Paid Survey.

AN IMPROVEMENT BUT REMAINS A CONCERN - During the Improvement Period the Company the violation was in 10 of 116 claim files (8.62%). The Benchmark Period had a percentage of 43.36%. This is an improvement but remains a concern.

25. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(2) for failing to disclose to the third party claimant where the claimant could obtain a rental vehicle at the rental amount the Company was willing to pay.

A Class Criticism was issued in the Private Passenger Auto Third Party Closed Without Payment Survey.

NO IMPROVEMENT - The examiners found no evidence that the Company advised the third party where a rental could be acquired at the rate the Company was willing to pay.

26. The Company was criticized for failing to provide the third party with a reasonable written explanation for the delay, beyond 60 days, as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3).

A General Trend Criticism was issued in the Private Passenger Auto Third Party Closed Without Payment Survey.

LITTLE IMPROVEMENT - During the Improvement Period 19 delay letters were due or sent a third party and the Company failed to provide the written explanation correctly to the third party four (4) times (21.05%). During the Benchmark Period the Company failed 32% of the time. There is no significant improvement and a General Trend Criticism remains applicable.

27. The Company was criticized for failing to provide the third party with a

reasonable written explanation of the basis of the denial as required by and as outlined in 50 Ill. Adm. Code 919.50(a)(2).

A General Trend Criticism was issued in the Private Passenger Auto Third Party Closed Without Payment Survey.

IMPROVEMENT - During the Benchmark Period 12 denial letters were required and the Company failed to send any in two (2) files (16.67%). During the Improvement Period 34 denial letters were required and the Company sent 34 letters of denial. In one (1) of those files (2.94%) the reason failed to be reasonable. The Company has shown improvement.

28. The Company was criticized under 215 ILCS 5/154.6(d) for failing to effectuate in good faith prompt, fair and equitable settlement of claims when liability was clear and under 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies. Due to their actions and inactions, the Company in conflict with 215 ILCS 5/154.6(g). The violations resulted in 11 underpayments totaling \$15,937.91. The Company has made five (5) payments totaling \$4,380.08. The Company has refused to make the remaining six (6) payments totaling \$11,557.83.

A General Trend Criticism was issued in the Private Passenger Auto Third Party Closed Without Payment Survey.

IMPROVEMENT - The Company has made some progress.

30. The Company was criticized under 50 Ill. Adm. Code 919.60(a) for using verbiage in the "Regular Proof of Loss" that indicates "final" or "a release". Also the Company used that verbiage on checks payable to the insured.

A Class Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

NO IMPROVEMENT - The Company continues to use the same verbiage and did not make a permanent and acceptable change. They suggested a change, however, that change in verbiage continued to indicate "final" or "release."

31. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(3) for taking advance charge deductions from the total loss settlement when there was no evidence the insured caused any excessive charges for storage or towing...and the Company failed to itemize each advance charge deduction and maintain in the claim file documentation of the reasons and dollar amounts involved in each deduction, resulting in 17 underpayments totaling \$5,286.00. The Company made reimbursements.

A Class Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

NO IMPROVEMENT - During the Benchmark Period the Company took advance charge deductions in 17 of 50 total losses. In 17 (100%) there was no evidence the insured did anything to cause those reductions in the total loss settlement nor were those deductions itemized. In the Improvement Period the Company paid on 30 total losses. They took advance charge deductions on eight (8) of the total losses. None of those deductions were itemized and there was no evidence that any action by the insured caused any excessive towing or storage. The Company again has an error percentage of 100% and there is no improvement. The Company created eight (8) underpayments totaling \$2589.00.

32. The Company was criticized for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved for more than 40 calendar days as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2).

A Class Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

NO IMPROVEMENT - During the Improvement Period 13 delay letters were due or sent and the Company failed to provide the written explanation correctly 10 times (76.92%). In the Benchmark Period the error percentage was 97.92%. There has been no significant improvement.

33. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(4)(A)(i) for taking deductions from the total loss settlement for unrelated prior damage when the deductions failed to reflect a measureable decrease in the market value attributable to the poorer condition of, or prior damage to the insured vehicle. The Company made reimbursements. (Combined with Summary Item #34 below, 24 reimbursements were made totaling \$41,284.42)

A Class Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

NONE OR VERY LITTLE IMPROVEMENT - During the Benchmark Period the Company had an error percentage of 86.96%. During the Improvement Period they had 66.67% and underpayments totaling \$5476.55.

34. The Company was criticized under 50 Ill. Adm. Code 919.80(c)(2) for failing to use and follow the definitions/methodologies of the source used to determine the market value of the insured total loss vehicle creating underpayments. The Company made reimbursements. (Combined with Summary Item #33 above, 24 reimbursements were made totaling \$41,284.42)

A General Trend Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

IMPROVED - There is evidence the Company has made some progress. They have from CCC to Mitchell in determining the market value of the insured vehicle.

35. The Company was criticized under 215 ILCS 5/154.6(r) for sending letters to insureds who experienced a total loss due to a comprehensive claim with verbiage indicating certain information was required by Illinois law when, in fact, there was no law with any such requirement. This is an unfair and deceptive act or practice and a violation of 215 ILCS 5/423 and/or 215 ILCS 5/424(4).

A Class Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

UNDETERMINED AT THIS TIME - The examiner has no data compiled to evaluate this criticism, however, the Company indicated during the exam that they would halt using that letter.

36. The Company was criticized for failing to send the informational letter commonly known as the "right of recourse" letter and/or Exhibit A as required by and as outlined in 50 Ill. Adm. Code 919.80(c) and 919.EXHIBIT A Total Loss Automobile Claims. The Company sent the letters more than 7 days after the vehicle was determined a total loss.

A General Trend Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

NO IMPROVEMENT - During the Benchmark Period the Company was in violation 32% of the time. During the Improvement Period the Company was in violation 60.71% of the time. There has been no improvement.

37. The Company was criticized under 50 Ill. Adm. Code 919.80(c)(3)(A)(i) in failing to reimburse the insured the correct amount of taxes and/or fees when the insured replaced the total loss vehicle creating two (2) underpayments totaling \$421.38. Reimbursements have been made.

A General Trend Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

The examiner was not able to determine improvement from the evidence reviewed.

38. The Company was criticized for failing to respond to a subrogation demand in the Private Passenger Auto First Party Total Loss Survey under 215 ILCS 5/423 and/or 215 ILCS 5/424(4) for unfair and deceptive acts and/or practices that created a \$9,232.46 underpayment to a third party carrier. For failing to effectuate a prompt, fair and equitable settlement the Company is also in violation of 215 ILCS 5/154.6(d)...and in violation of 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards for the prompt investigation of its claims and failing to adopt and implement reasonable standards for the settlement of claims arising under its policies. The Company has paid the \$9,232.46 to the third party carrier.

NOT ENOUGH EVIDENCE OR DATA - There is evidence that the Company is paying the third party carriers.

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Roger Henschen, being first duly sworn upon his 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:

Universal Casualty Company, NAIC #42862

That, as Examiner-In-Charge, he 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 he nor any other persons designated as examiners 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 policyholders, and that neither he nor any other persons designated as examiners 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;

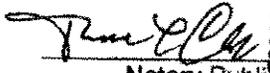
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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.



Roger Henschen
Examiner-In-Charge

Subscribed and sworn to before me
this 7 day of March, 2012



Notary Public

OFFICIAL SEAL
RONALD L. CLARK
NOTARY PUBLIC STATE OF ILLINOIS
MY COMMISSION EXPIRES 03/19/17

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

UNIVERSAL CASUALTY COMPANY
150 PIERCE ROAD, 6TH FLOOR
ITASCA, ILLINOIS 60143

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (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, Universal Casualty Company (Company) is authorized under the insurance laws of this State and by the Director as a domestic stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department examiners have filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said 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 not currently writing business in Illinois due to reorganization and due to this the Company shall not be required to submit Proof of Compliance as part of this Stipulation and Consent Order at this time; 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, 407 and 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 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 Director as follows:

1. That the Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and the Company consent to this order and do not require the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations at this time.

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

1. For Private Passenger Automobile Cancellation files, institute and maintain procedures whereby the Company does not improperly cancel policies due to missing information or lack of receipt of certain information when there was no evidence that the Company requested the information directly from the insured as outlined in 215 ILCS 5/149.19 and in order not to be in conflict with 215 ILCS 5/423(1).
2. For Private Passenger Automobile Cancellation files, institute and maintain procedures whereby the Company does not rescind auto policies during the first policy term due to misrepresentation on the application when the applicant/insured did not sign the application as outlined in 215 ILCS 5/154 and in order not to be in conflict with 215 ILCS 5/423(1).
3. For Private Passenger Automobile Cancellation files, institute and maintain procedures whereby the Company provides a specific explanation of the reason or reasons for cancellation mailed at least 30 days prior to the effective date of cancellation and/or mail the notice 10 days prior to the effective date of cancellation where cancellation was for nonpayment of premium, whichever was applicable, as outlined in 215 ILCS 143.15.
4. For Private Passenger Automobile Nonrenewal files, institute and maintain procedures whereby the Company provides a specific explanation of the reasons for nonrenewal as outlined in 215 ILCS 5/143.17(e) and maintains proof of mailing of the notice of nonrenewal as outlined in 215 ILCS 5/143.17(a).
5. For Private Passenger Automobile Nonrenewal files, institute and maintain procedures whereby the Company does not non-renew policies due to missing

information or lack of receipt of information when there is no evidence the Company ever requested such information directly from the insured as described in 215 ILCS 5/143.19.1.

6. For Private Passenger Automobile Nonrenewal files, institute and maintain procedures whereby the Company does not non-renew policies after the policy had been effective or renewed 5 or more years for reasons other than listed in the Illinois Insurance Code when providing less than 60 days notice as required in 215 ILCS 5/143.19.1.
7. For Private Passenger Automobile New Business files, institute and maintain procedures whereby the Company has the same bodily injury rates within a municipality which has a population of 2,000,000 or more as required by 215 ILCS 5/155.17.
8. For Private Passenger Automobile New Business files, institute and maintain procedures whereby the Company obtains driving records at policy issuance instead of a notification of loss as is indicated on the filed application in order not to be in conflict with 215 ILCS 5/423(1).
9. For Private Passenger Automobile New Business files, institute and maintain procedures whereby the Company supplies separate rates for comprehensive coverage to verify proper premiums for the anti-theft discount as required by 50 Ill. Adm. Code 932.40.
10. For Private Passenger Automobile New Business files, institute and maintain procedures whereby the Company files the forms they utilize with the Department of Insurance as required by 50 Ill. Adm. Code 753.10(a)(1) and 50 Ill. Adm. Code 753.10(a)(2) and 50 Ill. Adm. Code 753.10(a)(3).
11. For Private Passenger Automobile New Business files, institute and maintain procedures whereby the Company files the rules and rates utilized with the Department as required by 50 Ill. Adm. Code 754.10(b)(1) and 50 Ill. Adm. Code 754.10(b)(2) so as to not create miscellaneous rating errors resulting in undercharges or overcharges.
12. For Private Passenger First Party claims, institute and maintain procedures whereby the Company does not maintain a median payment period beyond 40 days on automobile collision claims as required by 50 Ill. Adm. Code 919.80(b)(2).
13. For Private Passenger First Party claims, institute and maintain procedures whereby the Company provides a reasonable written explanation of the settlement amount or denial, or if such explanation was sent, provide a reasonable explanation and fully explain the reason(s) for the settlement or denial as required by Ill. Adm. Code 919.50(a)(1) and include the Availability of the Department of Insurance notice and the correct address of the Department as described in 50 Ill. Adm. Code 919.40.

14. For Private Passenger First Party claims, institute and maintain procedures whereby the Company provides the insured with a written explanation for the delay when claims remain unresolved for more than 40 days as required by 50 Ill. Adm. Code 919.80(b)(2).
15. For Private Passenger First Party claims, institute and maintain procedures whereby the Company issues payment as the policy language indicates in order to not be in conflict with 50 Ill. Adm. Code 753.10(a)(1).
16. For Private Passenger First Party claims, institute and maintain procedures whereby the Company tenders payment within 30 days after affirmation of liability when the amount of the claim was determined, not in dispute and the payee was known as required by 50 Ill. Adm. Code 919.50(a).
17. For Private Passenger First Party claims, institute and maintain procedures whereby the Company maintains the claim file in such a manner that it contains detailed documentation to permit reconstruction of the Company's activities relative to the claim file as required by 50 Ill. Adm. Code 919.30(c).
18. For Private Passenger Third Party claims, institute and maintain procedures whereby the Company does not maintain a median of more than 60 days when making property damage liability payments as required by 50 Ill. Adm. Code 919.80(b)(3).
19. For Private Passenger Third Party claims, institute and maintain procedures whereby the Company shall notify the claimant where the claimant can obtain a rental vehicle for the amount the Company will pay as required by 50 Ill. Adm. Code 919.80(d)(2).
20. For Private Passenger Third Party claims, institute and maintain procedures whereby the Company shall provide a written explanation in the event of a delay as required by 50 Ill. Adm. Code 919.80(b)(3).
21. For Private Passenger Third Party claims, institute and maintain procedures whereby the Company will effectuate in good faith prompt fair and equitable settlement of claims when liability is clear and adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies as required by 215 ILCS 5/154.6(c) and 215 ILCS 5/154.6(d) and in order not to be in conflict with 215 ILCS 5/154.6(g) and 215 ILCS 5/423(1) and 215 ILCS 5/424(4).
22. For Private Passenger Third Party claims, institute and maintain procedures whereby the Company provides the third party with a reasonable written explanation of the basis of the denial as required by 50 Ill. Adm. Code 919.50(a)(2).
23. For Private Passenger Third Party claims, institute and maintain procedures whereby the Company implements reasonable standards for the prompt investigation and settlement of claims and makes a bonafide effort to contact the claimant when liability was reasonable clear as required by 215 ILCS 5/154.6(c) and 50 Ill. Adm. Code 919.40.

24. For Private Passenger First Party Total Loss claims, institute and maintain procedures whereby the Company does not use verbiage reflecting “final” or “a release” on checks payable to claimants or on “Regular Proof of Loss” statements in accordance with 50 Ill. Adm. Code 919.60(a).
25. For Private Passenger First Party Total Loss claims, institute and maintain procedures whereby the Company handles storage and towing claims without making advance charge deductions from the total loss settlement, and institute and maintain procedures to itemize each advance charge deduction and maintain in the claim file the reasons and dollar amounts for each deduction as required by 50 Ill. Adm. Code 919.80(d)(3).
26. For Private Passenger First Party Total Loss claims, institute and maintain procedures whereby the Company provides the insured with a written explanation for the delay when claims remain unresolved for more than 40 days as required by 50 Ill. Adm. Code 919.80(b)(2).
27. For Private Passenger First Party Total Loss claims, institute and maintain procedures whereby the Company does not take deductions from the total loss settlement for unrelated prior damage when the deductions fail to reflect a measurable decrease in the market value attributable to the poorer condition of, or prior damage to a vehicle in accordance with 50 Ill. Adm. Code 919.80(d)(4)(A)(i).
28. For Private Passenger First Party Total Loss claims, institute and maintain procedures whereby the Company establishes a procedure to provide the insured with the methodology used to determine the market value of the insured vehicle, and follows the source methodology that is used to determine the value as required by and outlined in 50 Ill. Adm. Code 919.80(c)(2).
29. For Private Passenger First Party Total Loss claims, institute and maintain procedures whereby the Company establishes that letters sent to insureds do not include verbiage indicating certain information was required by Illinois law when there is no such law in accordance with 215 ILCS 5/154.6(r) and in order not to be in conflict with 215 ILCS 5/423(1), 215 ILCS 5/424(4).
30. For Private Passenger First Party Total Loss claims, institute and maintain procedures whereby the Company properly sends out the “Right of Recourse” informational letter as required and outlined by 50 Ill. Adm. Code. 919.80(c), 50 Ill. Adm. Code 919.80(c) and outlined in 919.EXHIBIT A Total Loss Automobile Claims.
31. For Private Passenger First Party Total loss claims, institute and maintain procedures whereby the Company reimburse the insured the correct amount of taxes and/or fees when the insured replaced the total loss vehicle as required by 50 Ill. Adm. Code 919.80(c)(3)(A)(i).

32. For Private Passenger First Party Total Loss claims, institute and maintain procedures whereby the Company responds to subrogation demands in order to effectuate a prompt, fair and equitable settlement and adopt and implement reasonable standards for the prompt investigation and settlement of claims as required by 215 ILCS 5/154.6(d) and 215 ILCS 5/154.6(c) and in order to not be in conflict with 215 ILCS 5/154.6(r) and 215 ILCS 5/424(4).
33. For Commercial Automobile Nonrenewal files, institute and maintain procedures whereby the Company sends loss information at the same time as the notice of nonrenewal as required by 215 ILCS 5/143.10a.
34. For Commercial Automobile Nonrenewal files, institute and maintain procedures whereby the Company provides a specific explanation of the reasons for nonrenewal as required by 215 ILCS 5/143.17a.
35. For Commercial Automobile Renewal files, institute and maintain procedures whereby the Company renews commercial auto policies as required or sends a notice of non renewal as required by 215 ILCS 5/143.17a.
36. For Commercial Auto First Party claims, institute and maintain procedures whereby the Company does not make a claims payment to a policyholder or beneficiary while omitting the coverage under which the payment is being made as required by 215 ILCS 154.6(l).
37. For Commercial Auto First Party claims, institute and maintain procedures whereby the Company sends a written explanation of the basis for the lower offer to the insured as required by 50 Ill. Adm. Code 919.50(a)(1).
38. For Commercial Auto First Party claims, institute and maintain procedures whereby the Company takes proper deductibles as required by Policy Contracts.
39. For Commercial Auto First Party claims, institute and maintain procedures whereby the Company sends the insured a reasonable written explanation for the denial of a claim or sends that reasonable explanation within 30 days after liability was determined as required by 50 Ill. Adm. Code 919.50(a)(1).
40. For Commercial Auto First Party claims, institute and maintain procedures whereby the Company retains detailed documentation in order to permit reconstruction of the company's activities relative to the claim file as required by 50 Ill. Adm. Code 919.30(c).
41. For Commercial Auto Third Party claims, institute and maintain procedures whereby the Company effectuates a prompt, fair and equitable settlement in which liability was clear and adopt and implement reasonable standards for the prompt investigation and settlement of claims as required by 215 ILCS 5/154.6(d) and 215 ILCS 5/154.6(c) and in order to not be in conflict with 215 ILCS 5/424(4).

42. For Commercial Auto Third Party claims, institute and maintain procedures whereby the Company retains detailed documentation in order to permit reconstruction of the company's activities relative to the claim file as required by 50 Ill. Adm. Code 919.30(c).
43. For Commercial Auto Third Party Subrogation claims, institute and maintain procedures whereby the Company effectuates in good faith a prompt, fair and equitable settlement when dealing with third parties and adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies as required by 215 ILCS 5/154.6(d) and 215 ILCS 5/154.6(c) and in order to not be in conflict with 215 ILCS 5/424(4).
44. For Commercial Truck Cancellation files, institute and maintain procedures whereby the Company includes on the notice of cancellation a specific explanation of the reason or reasons for cancellation as required by 215 ILCS 5/143.16.
45. For Commercial Truck Nonrenewal files, institute and maintain procedures whereby the Company maintains proof of mailing of the notice of nonrenewal as required by 215 ILCS 5/143.17a(d).
46. For Commercial Truck Renewal files, institute and maintain procedures whereby the Company renews commercial truck policies as required or send a notice of nonrenewal as required by 215 ILCS 5/143.17a.
47. For Commercial Truck Renewal files, institute and maintain procedures whereby the Company notifies the Director when terminating the commercial trucking line of business as required by 215 ILCS 5/143.11a.
48. For Commercial Truck First Party claims, institute and maintain procedures whereby the Company retains detailed documentation in order to permit reconstruction of the company's activities relative to the claim file as required by 50 Ill. Adm. Code 919.30(c).
49. For Commercial Truck First Party claims, institute and maintain procedures whereby the Company does not use verbiage reflecting "final" or "a release" on payments as required by 50 Ill. Adm. Code 919.60(a).
50. For Commercial Truck First Party claims, institute and maintain procedures whereby the Company attempts in good faith to effectuate prompt, fair and equitable settlements and adopts and implements reasonable standards for prompt investigation and settlement of claims arising under its policies as required by 215 ILCS 5/154.6(d) and 215 ILCS 5/154.6(c) and in order to not be in conflict with 215 ILCS 5/423(1) and 215 ILCS 5/424(4).
51. For Commercial Truck Third Party claims, institute and maintain procedures whereby the Company attempts in good faith to effectuate prompt, fair and equitable settlements and adopts and implements reasonable standards for prompt investigation and settlement of claims arising under its policies as required by 215 ILCS 5/154.6(d)

and 215 ILCS 5/154.6(c) and in order to not be in conflict with 215 ILCS 5/423(1) and 215 ILCS 5/424(4).

52. In Commercial Truck Third Party claims, institute and maintain procedures whereby the Company retains detailed documentation in order to permit reconstruction of the company's activities relative to the claim file as required by 50 Ill. Adm. Code 919.30(c).
53. Institute and maintain procedures whereby the Company maintains complaints received directly from the consumer as outlined in and required by 50 Ill. Adm. Code 926.50 and 215 ILCS 5/143d.
54. Reopen and pay any claims not properly paid with interest calculated to the date of payment.
55. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$100,000.00 to be paid within 30 days of the execution of these orders.

NOTHING contained herein shall prohibit the 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 Universal Casualty Company:

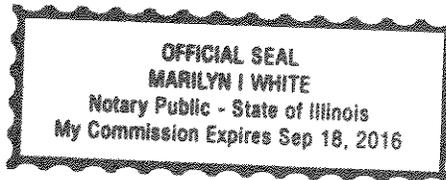
William A. Hickey, Jr.
Signature

William A. Hickey, Jr.
Name

President
Title

Subscribed and sworn to before me this 34th day of MARCH A.D. 2014.

Marilyn J. White
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois;

DATE April 3, 2014

Andrew Boron
Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

April 24, 2014

William Hickey, Jr.
President
Universal Casualty Company
150 Pierce Road
6th Floor
Itasca, IL 60143

Re: *Universal Casualty Company*
Market Conduct Examination Report – Closing of Exam

Dear Mr. Hickey;

The Department has received the \$100,000 civil forfeiture as required by the Stipulation and Consent Order issued to Universal Casualty Company.

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. If you have any questions, I may be reached at the contact information listed below.

Sincerely,

A handwritten signature in black ink, appearing to read "Lysa Saran".

Lysa Saran
Acting Deputy Director of
Consumer Outreach and Protection
Illinois Department of Insurance
122 S. Michigan Avenue, 19th Floor
Chicago, IL 60603
Phone: 312-814-1767
Cell: 312-833-4396
E-mail: Lysa.Saran@Illinois.gov