

STATE OF ILLINOIS



Department of Financial and Professional Regulation Division of Insurance

IN THE MATTER OF
THE EXAMINATION OF

FIRST FINANCIAL INSURANCE COMPANY
528 SOUTH 5TH STREET, SUITE 210
SPRINGFIELD, ILLINOIS 62701-1822

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 131.21, 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Roger Henschen, Examiner-In-Charge, Bernie Sullivan, Larry Nelson, and associates as the proper persons to examine the insurance business and affairs of First Financial Insurance Company of Springfield, Illinois, and to make a full and true report to me of the examination made by them of First Financial Insurance Company with a full statement of the condition and operation of the business and affairs of First Financial Insurance Company with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of First Financial Insurance Company.

IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.
Done at the City of Springfield, this 18th day of Oct, 2007.

Michael T. McRaith

Michael T. McRaith

Director



STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with BARBARA MONACO - VP, at the hour of 4:25 PM
on 4/7, A.D., 2008.

Roger D. Henschen
Examiner

FIRST FINANCIAL INSURANCE COMPANY

MARKET CONDUCT RE-EXAMINATION REPORT

DATE OF RE-EXAMINATION: March 22, 2010, through April 16, 2010

EXAMINATION OF: First Financial Insurance Company
(P & C Domestic Stock)
NAIC # 11177

LOCATION: 238 International Road
Burlington, NC 27215

**PERIOD COVERED BY
RE-EXAMINATION:** January 1, 2009, through December 31, 2009

EXAMINERS: Bernie Sullivan Jr. LUTCF
Examiner-in-Charge

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I. COMPLIANCE:

First Financial Insurance Company ("FFIC") was previously the subject of a market conduct examination completed on May 2, 2008 covering the period January 1 2007, through December 31, 2007.

Based upon the findings of that examination, the ten Orders were issued, in a Stipulation and Consent Order issued by the Director of Insurance, State of Illinois, on November 26, 2008. At the time the ten Orders were issued, the Division of Insurance was part of the Illinois Department of Financial and Professional Regulation ("ILDFPR"). Effective June 1, 2009, pursuant to Executive Order 09-04, the Department of Insurance was established and "the Functions and all associated powers, duties, rights and responsibilities of the Division of Insurance" were transferred to the Department of Insurance."

The ten Orders and the examiner's findings with respect to each are as follows:

ORDER #1: Institute and maintain procedures whereby commercial insureds are provided loss information when the policy is terminated as required by Section 5/143.10a of the Illinois Insurance Code. (See 215 ILCS 5/143.10a)

Finding: FFIC is substantially complying with this Order.

ORDER #2: Institute and maintain procedures whereby commercial insureds are provided a specific explanation of the reason or reasons for cancellation as mandated in Section 5/143.16 of the Illinois Insurance Code. (See 215 ILCS 5/143.16)

Finding: Based on a review of the four policies in the period covered by the re-examination, FFIC is not substantially complying with this Order.

ORDER #3: Institute and maintain procedures whereby commercial policyholders are provided an effective date of cancellation as requested.

Finding: FFIC is substantially complying with this Order,

ORDER #4: Institute and maintain procedures whereby an insured's request to cancel a commercial policy is short rated as filed in the Company's filing with the Illinois Division of Insurance and made pursuant to Part 754.10(b)(1) of the Illinois Administrative Code. (See 50 Ill. Adm. Code 754.10(b)(1))

Finding: FFIC is substantially complying with this Order. (At the time the ten Orders were issued, the Division of Insurance was part of the Illinois Department of Financial and Professional Regulation ("ILDFPR"). Effective June 1, 2009, pursuant to Executive Order 09-04, the

Department of Insurance was established and “the Functions and all associated powers, duties, rights and responsibilities of the Division of Insurance” were transferred to the Department of Insurance.”)

ORDER #5: Institute and maintain procedures whereby terminated agents are provided a written notice of termination or the Company obtains a mutually signed agreement as outlined in Section 5/141.02(3) of the Illinois Insurance Code. (See 215 ILCS 5/141.02(3))

Finding: The FFIC is substantially complying with this Order.

ORDER #6: Institute and maintain procedures whereby agents use filed application forms as contained in their filing with the Illinois Division of Insurance and made pursuant to Part 753.10(a)(3) of the Illinois Administrative Code, when submitting Liquor Liability new business. (See 50 Ill. Adm. Code 753.10(a)(3))

Finding: FFIC did not issue any liquor liability policies in Illinois during the period covered by this re-examination.

ORDER #7: Institute and maintain procedures whereby Liquor Liability policies are rated according to the filed rules and rating plans as contained in the Company's filing with the Illinois Division of Insurance and made pursuant to Part 754.10(b)(1) of the Illinois Administrative Code. (See 50 Ill. Adm. Code 754.10(b)(1))

Finding: FFIC did not issue any liquor liability policies in Illinois during the period covered by this re-examination.

ORDER #8: Institute and maintain procedures whereby Garage Service insureds experience no gap in coverage when the Company renews the policy in order to avoid being in conflict with Section 5/143.17a of the Illinois Insurance Code. (See 215 ILCS 5/143.17a)

Finding: FFIC did not issue or renew any Garage Service policies in Illinois during the period covered by this re-examination.

ORDER #9: Institute and maintain procedures whereby Managing General Agent #0679 uses a General Change Endorsement form which is filed in the Company's filing with the Illinois Division of Insurance and made pursuant to Part 753.10(a)(2) of the Illinois Administrative Code. (See 50 Ill. Adm. Code 753.10(a)(2))

Finding: Managing General Agent # 0679 did not represent FFIC during the period covered by the re-examination.

ORDER #10: Institute and maintain procedures whereby commercial policies are either renewed or nonrenewed as mandated by and outlined in Section 5/143.17a of the Illinois Insurance Code. (See 215 ILCS 5/143.17a)

Finding: Based on a review of the nineteen policies which were renewed or nonrenewed in the period covered by the re-examination, FFIC is not substantially complying with this Order.

II. SUMMARY

- 1. FFIC was criticized under 215 ILCS 5/143.16 for failing to provide to commercial insureds a specific explanation of the reason or reasons for cancellation. It was also noted that FFIC failed to provide a sixty (60) day notice of cancellation to commercial insureds as required by 215 ILCS 5/143.16.**

A general trend criticism was issued for violating Order #2 of the Stipulation and Consent Orders issued by the Director of Insurance, State of Illinois, on November 26, 2008.

- 2. FFIC was criticized under 215 ILCS 5/143.17a for either failing to provide a specific reason for nonrenewal or failing to provide the required 60 day advanced notice of nonrenewal.**

A general trend criticism was issued for violating Order #10 of the Stipulation and Consent Orders issued by the Director of Insurance, State of Illinois on November 26, 2008.

III. BACKGROUND:

First Financial Insurance Company

First Financial Insurance Company is an Illinois domestic property casualty insurance stock company. FFIC was incorporated on April 29, 1970, and commenced business on May 13, 1970. On April 10, 1985, FFIC was purchased by International Financial Group, Inc. ("IFG") through its intermediate holding company, FFIC Holdings Incorporated ("FFICHI"). FFIC's stock is one hundred percent (100%) owned by FFICHI, which is 100% owned by Burlington Insurance Group, Inc. ("BIG"). BIG is one hundred percent owned by IFG.

FFIC operates through general agents writing garage dealer liability and garage service liability insurance coverage.

FFIC's premium writings in Illinois have declined since the prior Market Conduct Examination whose experience period was calendar year 2007. The FFIC's NAIC Annual Statement State Pages for Illinois indicates that its direct written premium in Illinois from 2007 through 2010 was as follows:

Year	Direct Written Premium
2007	2,180,015
2008	1,319,165
2009	33,634
2010	12,155

The experience period for this re-examination was calendar year 2009. Many of the sample sizes reflected this decline in written premium. For example, only four commercial policies were cancelled in 2009. Each of these four cancellations was reviewed as part of the re-examination. There were no consumer complaints in calendar year 2009. There was only one producer termination in calendar year 2009. The file relating to this producer termination was reviewed during this re-examination.

It should be noted that period covered by the earlier examination was calendar year 2007 and that a large portion of FFIC's Illinois business consisted of liquor liability coverage or Garage Dealers insurance. In the period covered by the re-examination, FFIC did not issue any liquor liability policies in Illinois. FFIC has advised the Department that it ceased offering Garage Dealers insurance coverage in Illinois effective November 1, 2010.

V. METHODOLOGY:

The market conduct examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants.

The Market Conduct Examination did not examine all systems and procedures used in dealing with insureds and claimants. The following categories are the general areas examined:

1. Risk Selections
2. Underwriting
3. Consumer Complaints and Producer Terminations

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

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

The following method, based on the guidance in NAIC Market Regulation Handbook, Chapter 14, Sampling, was used to obtain the required samples and to assure a methodical selection. Surveys were developed from company generated Excel spreadsheets. Random statistical printout reports were generated by the examiners and presented to the company for retrieval.

Selection of Samples

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
Risk Selection:			
Commercial Cancellations	4	4	100.00%
Commercial Nonrenewals	19	19	100.00%
Liquor Liability	644	116	18.01%
Underwriting:			
Commercial Renewals	41	41	100.00%
Liquor Liability New Business	0	0	0.0%

Consumer Complaints & Producer Terminations:

Consumer Complaints	0	0	0.0%
Producer Terminations	1	1	100.0%

V. FINDINGS:

A. Risk Selections:

1. Commercial Cancellations

Two (2) commercial cancellation files (50.00% of the 4 files reviewed) were not cancelled as required by 215 ILCS 5/143.16. Neither policyholder received the 60 day advance notice required by 215 ILCS 5/143.16. In addition, one of the cancellation notices indicated that the policy was being cancelled for "underwriting reasons" which fails to satisfy the requirement in 215 ILCS 5/143.16 that "All notices of cancellation shall include a specific reason or reasons for cancellation."

Policy #	# days notice	Reason for cancellation
[REDACTED]	34	failure to comply with inspection terms
[REDACTED]	52	underwriting reasons

A general trend criticism was issued since the failure to provide a specific explanation of the reason or reasons for cancellation violated Order #2 of the Stipulation and Consent Orders issued by the Director of Insurance, State of Illinois on November 26, 2008.

2. Commercial Nonrenewals

Two (2) commercial nonrenewal files (10.52% of the 19 files reviewed) either failed to provide a specific reason for nonrenewal (policy # [REDACTED] or failed to provide the required 60 day advance notice of nonrenewal (policy #679F000255) as outlined in 215 ILCS 5/143.17a.

Policy #	# days notice	Reason for cancellation
[REDACTED]	82	does not meet underwriting guidelines
[REDACTED]	56	no longer doing business with this carrier, new policy issued after nonrenewal date

A general trend criticism was issued since this further violated Order #10 of the Stipulation and Consent Orders issued by the Director of Insurance, State of Illinois, on November 26, 2008.

3. Liquor Liability Nonrenewals

There were no criticisms in this survey.

B. Underwriting

1. Commercial Renewals

There were no criticisms in this survey.

2. Liquor Liability New Business

FFIC did not issue any liquor liability policies in Illinois during the period covered by the re-examination.

C. Consumer Complaints and Producer Terminations

1. Consumer Complaints

There were no complaints filed during the experience period.

2. Producer Terminations

There were no criticisms in this survey.

VI. TECHNICAL APPENDICES:

None

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 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.

**James J. Morris
Assistant Deputy Director
Market Conduct and Analysis Section**



Illinois Department of Insurance

PAT QUINN
Governor

ROBERT E. WAGNER
Acting Director

January 26, 2012

David A. MacLeod
President
First Financial Insurance Company
238 International Road
Burlington, NC 27215

Dear Mr. MacLeod,

Re: Market Conduct Re-Examination

A Market Conduct Re-Examination of your company was conducted by an authorized examiner designated by the Director of Insurance pursuant to Illinois Insurance Code Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code. The examination covered the period January 1, 2009 through December 31, 2009.

As required by Illinois Insurance Code Section 132, please find attached a copy of the verified examination report. This Department is providing your company an opportunity to make a written submission or rebuttal with respect to any matters in the attached report. Please provide any such written submission or rebuttals to the undersigned by close of business, Wednesday, February 29, 2012.

Illinois Insurance Code Section 132 provides that the Director of Insurance must afford your company an opportunity to demand a hearing with reference to the facts and other evidence contained in this report. Section 132 further provides that your company may request a Hearing within ten (10) days after receipt of the above Report by giving the Director of Insurance written notice of such request together with a statement of your objections. The deadline to request a hearing is hereby extended until close of business, Wednesday, February 29, 2012.

Please contact me if you have any questions.

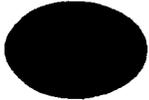
Yours Truly,

James J. Morris
Assistant Deputy Director
Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington Street
Springfield IL 62767
312-833-5582 mobile
217-557-8463 fax
james.j.morris@illinois.gov

SENT VIA EMAIL AND EXPRESS MAIL

March 8, 2012

Mr. James J. Morris, Assistant Deputy Director
Illinois Department of Financial and Professional Regulation
Market Conduct Section
320 West Washington
Springfield, Illinois 62767-0001



IFG Companies®

First Financial
Insurance Company
100 Pearl Street
Hartford, CT 06103

**RE: First Financial Insurance Company
Market Conduct Re-Examination**

Dear Mr. Morris:

First Financial Insurance Company ("FFIC") acknowledges receipt of your letter of January 26, 2012 addressed to the Company's President, Mr. David MacLeod.

Reference is made to the following Orders Findings, followed by proposals for consideration with regard to the same.

Order #2: Finding: FFIC is not substantially complying with this Order.

PROPOSAL:

FFIC proposes a qualification stating that the Population of files reviewed consisted of only four (4) files. In addition, FFIC proposes a qualification acknowledging that the Company ceased to offer Garage Dealers in Illinois effective November 1, 2010.

Order # 10: Finding: FFIC is not substantially complying with this Order.

PROPOSAL:

FFIC proposes a qualification that the population of policies reviewed with regard to this order consisted of only nineteen (19) files. In addition, the Company proposes that a qualification be added which acknowledges that the Company ceased to offer Garage Dealers in Illinois effective November 1, 2010.

Because FFIC ceased writing Garage Dealer business in November of 2010, the number of policies available for review was extremely small. While FFIC does not dispute the Department's findings, we request reference to the small number of policies involved to mitigate any

Michael F. Freeman
Sr. V.P. & General Counsel
860-756-7777
Fax 860-723-8201
mffreeman@ifgcompanies.com

Mr. James J. Morris
Assistant Deputy Director
Illinois Department of Financial Regulation
March 8, 2012
Page 2

inference of a general trend of non-compliance.. Please feel free to contact me if you have any questions. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Freeman". The signature is fluid and cursive, with a large loop at the end.

Michael F. Freeman
Senior Vice President & General Counsel

Enclosures

cc: David MacLeod



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

March 13, 2012

Michael Freeman
Senior Vice President and General Counsel
First Financial Insurance Company
238 International Road
Burlington, NC 27215

Dear Mr. MacLeod,

Re: Market Conduct Re-Examination

This is to acknowledge receipt of your letter dated March 8, 2012. Your comments have been considered. Please find a copy of the revised report on the Market Conduct Re-Examination of your company. Also, please find attached two copies of a Stipulation and Consent Order based on the Re-Examination. I request that a duly authorized representative of First Financial Insurance Company execute **both copies** and return them to me. I will request that the Director execute both copies; one of which will be returned to you for your records.

Please contact me if you have any questions.

Yours Truly,

James J. Morris
Assistant Deputy Director
Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington Street
Springfield IL 62767
312-833-5582 mobile
217-557-8463 fax
james.j.morris@illinois.gov

April 9, 2012



James J. Morris
Assistant Deputy Director
Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington Street
Springfield, IL 62767

100 Pearl Street
Hartford, CT 06103

Dear Assistant Deputy Director Morris,

Re: First Financial Insurance Company Market Conduct Re- Examination

Thank you for speaking with me on Thursday, April 05, 2012 regarding the Department's re-examination report.

I am requesting a reduction in the fine proposed in the Stipulation and Consent Order. As I noted in our conversation, the two violations cited in the report were the sole result of actions taken by four agents whose authority to write business for First Financial in Illinois has been terminated.

Thank you for your consideration of this request and I look forward to hearing from you.

Best regards,

A handwritten signature in black ink, appearing to read "Michael Freeman", written over a white background.

Michael F. Freeman
Sr. V.P. & General Counsel

Michael F. Freeman
Sr. V.P. & General Counsel
860-756-7777
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mfreeman@ifgcompanies.com



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

April 13, 2012

Michael F. Freeman
Senior Vice President and General Counsel
First Financial Insurance Company
238 International Road
Burlington, NC 27215

Dear Mr. Freeman,

Re: **Stipulation and Consent Order**
Market Conduct Re-Examination

This is to acknowledge receipt of your letter dated April 9, 2012. The comments in your letter and in our telephone conversation on April 5, 2012 been considered and the Stipulation and Consent Order has been revised accordingly.

Please find attached two copies of the revised Stipulation and Consent Order based on the Re-Examination. I request that a duly authorized representative of First Financial Insurance Company execute **both copies** and return them to my attention by May 18, 2012. I will then request that the Director execute both copies; one of which will be returned to you for your records.

Please contact me if you have any questions.

Yours Truly,

James J. Morris
Assistant Deputy Director
Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington Street
Springfield IL 62767
312-833-5582 mobile
217-557-8463 fax
james.j.morris@illinois.gov

SENT VIA EMAIL AND EXPRESS MAIL

May 1, 2012

Mr. James J. Morris, Assistant Deputy Director
Illinois Department of Financial and Professional Regulation
Market Conduct Section
320 West Washington
Springfield, Illinois 62767-0001



First Financial
Insurance Company
100 Pearl Street
Hartford, CT 06103

**RE: First Financial Insurance Company
Market Conduct Re-Examination**

Dear Mr. Morris:

First Financial Insurance Company ("FFIC") acknowledges receipt of your letter of April 13, 2012 and the revised Stipulation and Consent Order regarding the Illinois Market Conduct Examination covering the period January 1, 2009 through December 31, 2009.

Attached are two copies of the Stipulation and Consent Order executed by FFIC's President, David A. MacLeod. Also enclosed is check #145284 made payable to the Illinois Director of Insurance in the amount of \$8,000, which represents full payment of the civil forfeiture imposed by the Director of Insurance.

Within 30 days from today, FFIC will submit proof of compliance with the two (2) Orders contained in the Stipulation and Consent Order.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Freeman", written over a horizontal line.

Michael F. Freeman
Senior Vice President & General Counsel

Enclosures

cc: David MacLeod

Michael F. Freeman
Sr. V.P. & General Counsel
860-756-7777
Fax 860-723-8201
mffreeman@ifgcompanies.com



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

May 9, 2012

Michael F. Freeman
Senior Vice President and General Counsel
First Financial Insurance Company
238 International Road
Burlington, NC 27215

Re: ***Stipulation and Consent Order***
First Financial Insurance Company

Dear Mr. Freeman,

Attached for your records, please find a Stipulation and Consent Order which was executed on behalf of the captioned company on May 1, 2012 and by Director Boron on May 7, 2012. The date by which the proof of compliance required by Order #3 is to be submitted to this Department is hereby extended to June 19, 2012.

Please contact me if you have any questions.

Yours Truly,

A handwritten signature in cursive script that reads "James J. Morris".

James J. Morris
Assistant Deputy Director
Market Conduct and Analysis
Illinois Department of Insurance
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james.j.morris@illinois.gov

STATUTE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

First Financial Insurance Company, NAIC # 11177

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, First Financial Insurance Company ("FFIC") is incorporated under the insurance laws of the State of Illinois as a domestic stock insurance company and authorized by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) covering the period January 1, 2007 through December 31, 2007; and

WHEREAS, the Director and FFIC entered into a Stipulation and Consent Order on November 26, 2008 which required that FFIC comply with ten Orders, and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department to determine whether FFIC had complied with the November 26, 2008 Orders which Examination was conducted pursuant to Sections 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425), and covered the period January 1, 2009 through December 31, 2009, and

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

WHEREAS, said report identifies two areas in which FFIC was not in compliance with the November 26, 2008 Orders, Illinois Insurance Code (215 ILCS

5/1 *et seq.*) and Department Regulations (Title 50 Illinois Administrative Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the 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 FFIC; and

WHEREAS, FFIC 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, FFIC understand and agree that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, FFIC 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 FFIC and the Director as follows:

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

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

1. Institute and maintain procedures to provide to comply with 215 ILCS 5/143.16 which requires that insurers provide to commercial insureds whose policies are being cancelled:
 - a. a sixty (60) day notice of cancellation and
 - b. a specific explanation of the reason or reasons for cancellation.
2. Institute and maintain procedures to comply with 215 ILCS 5/143.17a which requires that insurers provide to commercial insureds whose policies are being non-renewed:
 - a. a sixty (60) day notice of nonrenewal, and
 - b. a specific explanation of the reason or reasons for nonrenewal.
3. Submit to the Director of Insurance, proof of compliance with the above two (2) Orders within 30 days of the execution of these Orders.
4. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of eight thousand dollars (\$8,000) to be paid within thirty (30) days of receipt 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:

First Financial Insurance Company

Signature: David A. MacLeod

Name: David A. MacLeod

Title: President

Subscribed and sworn to before me this
1st day of May 2012.

Arleen V. Simons

Notary Public

ARLEEN V. SIMONS
NOTARY PUBLIC
MY COMMISSION EXPIRES OCT. 31, 2012

DEPARTMENT OF INSURANCE of the
State of Illinois;

Andrew Brown

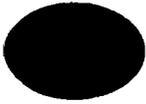
Director

DATE: 5/7/12

SENT VIA EMAIL AND EXPRESS MAIL

May 18, 2012

Mr. James J. Morris, Assistant Deputy Director
Illinois Department of Financial and Professional Regulation
Market Conduct Section
320 West Washington
Springfield, Illinois 62767-0001



IFG Companies®

RE: **First Financial Insurance Company**
Market Conduct Re-Examination

Dear Mr. Morris:

First Financial
Insurance Company
100 Pearl Street
Hartford, CT 06103

In accordance with the Stipulation and Consent Order regarding the Illinois Market Conduct Examination covering the period January 1, 2009 through December 31, 2009, First Financial Insurance Company ("FFIC") hereby provides proof of compliance with the two (2) orders imposed by the Illinois Division of Insurance.

At this time, First Financial Insurance Company is no longer offering any insurance coverage for any line of business in the State of Illinois. Attached is the letter dated April 27, 2010 sent to the Illinois Director of Insurance indicating that effective November 1, 2010, First Financial Insurance Company would no longer be offering Garage Liability which was the only line of business it was writing in Illinois during the last exam period.

First Financial Insurance Company will implement diligent controls should Management decide to offer insurance in the State of Illinois. Examples include: an enhanced underwriting and policy issuance system that includes filters for all regulatory requirements and a team of in-house underwriters experienced in proper handling of admitted business who will work closely with the Agent force to insure compliance.

Sincerely,

Michael F. Freeman
Senior Vice President & General Counsel

Enclosures

cc: David MacLeod

Michael F. Freeman
Sr. V.P. & General Counsel
860-756-7777
Fax 860-723-8201
mffreeman@ifgcompanies.com



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

May 18, 2012

Michael F. Freeman
Senior Vice President and General Counsel
First Financial Insurance Company
238 International Road
Burlington, NC 27215

Dear Mr. Freeman

Re: ***First Financial Insurance Company***
Market Conduct Re-Examination

This is to acknowledge receipt of your letter dated May 18, 2012 on this subject. Your letter constitutes satisfactory proof of compliance with Order # 3 in the Stipulation and Consent Order. This Department will be closing its file on this examination.

Please contact me if you have any questions.

Yours Truly,

A handwritten signature in cursive script that reads "James J. Morris".

James J. Morris
Assistant Deputy Director
Market Conduct and Analysis
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